REFERENCE DOCUMENT
2010

# Alloys, ores and people

ERAMET
ALLOYS, ORES AND PEOPLE.

# CONTENTS

ERAMET

A French public limited company
with registered capital of €80,866,071.30

Registered office: Tour Maine Montparnasse
33, avenue du Maine, 75015 Paris, France

Registration number 632 045 381
in the Paris trade and corporate register

2010

# REFERENCE DOCUMENT

**This document, prepared on the basis of the 2010 financial statements, includes the material information subsequent to the approval of those financial statements as obtaining at the date of its filing.**

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This Reference Document was filed with the AMF on 5 April 2011, pursuant to Article 212-13 of its General Regulation. It may be used in support of a financial transaction if it is accompanied by a prospectus approved by the AMF. This document was drawn up by the Issuer on the liability of the persons signing it.

# Group overview



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# 1.1. GROUP PROFILE

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 15,000 people in 2010 in some 20 countries, generated sales of €3,576 million.

The Group's strategy is to develop its positions in two of its businesses in which it holds one of the world's largest portfolios: alloying metals, which enhance the properties of steel and high-performance steels. The Group is also considering widening its activities to new metals with high growth potential, such as lithium, rare earths or niobium.

The ERAMET Group is mainly organised into three Divisions:

- The Nickel Division has nickel mines in New Caledonia and processes virtually all its ore itself. ERAMET is the world's sixth-largest nickel producer, the largest ferronickel producer, one of the three leading high-grade 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 deposit, of significance on the world market, could ultimately double the Group's nickel production, if the final decision to invest is made at the end of 2012.
- The Manganese Division is the world's second-largest producer of manganese alloys, the second-largest producer of high-grade manganese ore at its mine in Moanda (Gabon) and the world's leading producer of manganese chemical derivatives.
- The Alloys Division is the world's foremost producer of high-speed steels and the second-largest global producer of closed die-forged parts for aeronautics and energy generation.

The Group has major competitive advantages:

- ore reserves of the highest quality in terms of both grade and lifespan;
- strong technological skills in mining, metallurgy, closed die-forging and metal chemistry.

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

- competitive capacity expansions in nickel and manganese, to maximise returns from its extensive mining resources while supporting the growth of its major global customers;
- continuous maintenance of its activities' competitiveness;
- a global presence *via* the ERAMET International sales network and strategic investments, particularly in China;
- a dynamic research and development policy, with regard to both processes and products;
- prudent management, enabling the Group to come through the more difficult periods resulting from the cyclical nature of its markets and to be able to invest against the cycle to maximise returns from the most buoyant periods;
- targeted acquisitions having synergy with existing businesses.

These policy thrusts should enable the ERAMET Group to scale up its geographical diversification and the diversification of its metals portfolio, in the aim of improving its risk profile and strengthening its financial resilience.

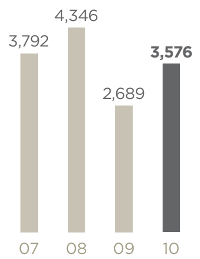
The Group's development takes a long-term view. The Group acts responsibly towards its environment, employees and shareholders. It acts in accordance with the principles of its Code of Conduct adopted in 2010.

# 1.2. KEY FIGURES/COMMENTS ON THE FINANCIAL YEAR

## 1.2.1. Key business figures

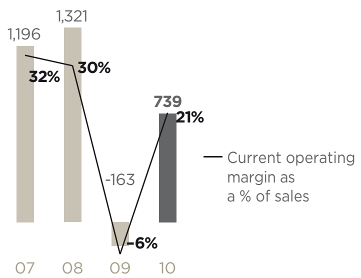
### 1.2.1.1. BUSINESS ITEMS

**Sales** *(in millions of euros)*



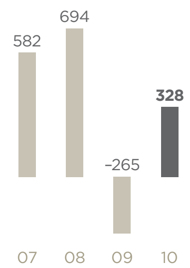

Sales climbed 33% in 2010 as compared to 2009.

**Current operating profit** *(in millions of euros)*



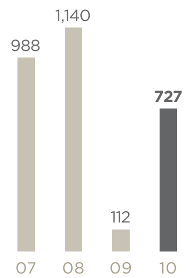

Current operating profit rose sharply to €739 million in 2010 as compared to 2009.

**Profit (loss) for period, Group share** *(in millions of euros)*



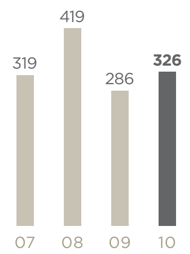

The Group share of profit (loss) for the period was sharply up at €328 million in 2010.

**Net cash generated by operating activities** *(in millions of euros)*



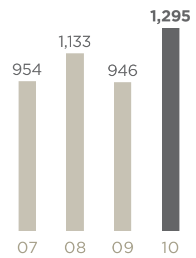

Sizeable financing capacity.

**Capital expenditure** *(in millions of euros)*



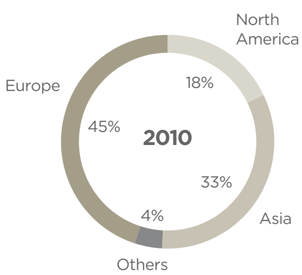

Industrial capital expenditure rose 14% in 2010 as compared to 2009.

**Consolidated net cash position** *(in millions of euros)*

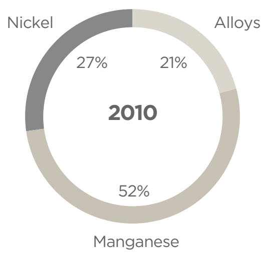



A very sound financial position on which to finance the Group's strategic development policy.

**Geographic breakdown of sales in 2010**




**Breakdown of sales by business segment in 2010**



| *(in millions of euros)* | 2010 | 2009 | 2008 |
|---|---|---|---|
| Sales by Division | | | |
| • Nickel | **965** | 655 | 897 |
| • Manganese | **1,858** | 1,289 | 2,348 |
| • Alloys | **764** | 750 | 1,102 |
| • Holding co. and miscellaneous | **(11)** | (5) | (1) |
| **Total** | **3,576** | **2,689** | **4,346** |
| Sales breakdown by geographic area | | | |
| • Europe | **1,598** | 1,270 | 2,224 |
| • North America | **642** | 466 | 812 |
| • Asia | **1,201** | 840 | 1,156 |
| • Other regions | **135** | 113 | 154 |
| **Total** | **3,576** | **2,689** | **4,346** |

## 1.2.1.2. SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS

| *(to IFRS, in millions of euros)* | 2010 | 2009 | 2008 |
|---|---|---|---|
| Sales | **3,576** | 2,689 | 4,346 |
| Current operating profit (loss) | **739** | (163) | 1,321 |
| Net cash generated by operating activities | **727** | 112 | 1,140 |
| Capital employed | **2,554** | 2,474 | 2,637 |
| Industrial capital expenditure | **326** | 286 | 419 |
| Average workforce | **14,156** | 14,465 | 14,702 |

### INCOME STATEMENT

#### Sales

ERAMET Group sales climbed 33% in 2010 over 2009, to €3,576 million. Its growth continued firm in the 4th quarter of 2010 (28% up on the 4th quarter of 2009).

#### Current operating profit (loss)

Current operating profit was €739 million compared with the -€163 million loss in 2009, representing a current operating margin of 20.6%, well above the figure for 2009 (-6.1%).

The €902 million increase in current operating profit is mainly due to the very sharp increase in prices, particularly for manganese and nickel, gains on sales denominated in foreign currencies (mainly in US dollar), and despite falling alloy sales at Aubert & Duval.

#### Operating profit (loss)

At €720 million, this was sharply up on 2009 (rising €987 million). It includes restructuring provisions among others. In 2009, the current operating loss included impairment losses recognised on assets of €51 million, of which €47 million for Erasteel, and the €23 million write-off loss on assets (options and development costs) following the halting of operations in Namibia.

#### Profit (loss) for period

Profit (loss) in 2010 was €454 million as against -€261 million in 2009, after allowing for:

- the €3 million positive net borrowing cost resulting from €1.2 billion invested at some 1.32% and average debt of €290 million;
- Other financial income and expenses, amounting to an expense of €15 million, mainly consisting of €10 million in accretion expenses and an expense of €3 million due to the measurement of financial instruments in eligible for hedging;
- a tax expense of €255 million, as an effective rate of 36% compared with 3% in 2009 (the 2009 rate takes account of the impact of the SLN 2009 tax audit and the non-recognition of deferred tax on eligible tax losses). The 2010 rate takes account of €49.5 million in withholding tax, particularly on the Comilog dividend payments made in 2010 and planned for 2011.

Profit (loss) for period Group share was €328 million as against -€265 million in 2009, after €126 million of minority interests in net result.

### CONSOLIDATED BALANCE SHEET

The Group consolidated balance sheet total at 31 December 2010 was €6,103 million compared with €5,270 million at 31 December 2009.

The €833 million increase in the site chiefly results from the following:

- under Assets: the increase in intangible assets and in property, plant & equipment particularly due to capital expenditure (of €326 million), the increase in inventories (€172 million) and in trade receivables (€128 million), both the latter increases being chiefly due to the business upturn and the increase in cash assets (€369 million);
- under Liabilities: the increase in equity (by €469 million), mainly attributable to the profit and to the strong increase in the Liabilities components of working capital requirement (€277 million), particularly current tax.

## 1.2.2. Information on the Group shareholders' equity

### CONSOLIDATED NET CASH POSITION

The Group's net cash position [1] was €1,295 million at 31 December 2010 compared with €946 million at 31 December 2009. This increase results from the following flows:

- €727 million in net cash flows from operating activities (€112 million in 2009);
- (€252 million) of net cash flows from capital expenditure, chiefly €326 million in industrial capital expenditure and €101 million in disposals of financial securities (sale of Comilog shares for €86 million and sale of Tinfos International shares), together with €25 million of financial investments, among which the acquisition of Valdi;
- €121 million of cash flow arising from transactions in equity, of which €152 million in dividend payments (breaking down into €47 million to ERAMET shareholders and €105 million to non-controlling shareholders in consolidated companies), a €31 million capital increase connected with payment of part of the dividend in shares;
- A negative (€5 million) impact from currency fluctuations.

## 1.2.3. Financing and credit facilities

The ERAMET Group is not currently rated by a financial rating agency.

The Group may, if necessary, have recourse to the following sources of finance, also detailed in Note 18 to the consolidated financial statements (Part 6 of this document):

### 1.2.3.1. REVOLVING CREDIT FACILITIES

In January 2011, ERAMET anticipated the maturity date of the €600 million multicurrency revolving credit facility, expiring on 24 May 2011, by entering into a new credit facility agreement with a select group of banks in substitution for the earlier facility, and having the following characteristics:

- Amount: €800 million in multiple currencies;
- Maturity: 5 years, with the option of extension for a further year;
- Interest rate: the reference rate, according to loan currency, as increased by a margin based on the financial ratio set out below;
- Commitment commission: 35% of the applicable margin;
- Financial ratio: Consolidated net debt to equity.

At 31 December 2010, the earlier Multicurrency revolving credit facility, maturing on 24 May 2012, was still in force. It remained unutilised at that year-end date.

### 1.2.3.2. COMMERCIAL PAPER

In 2005, ERAMET established a €400 million commercial paper programme. At 31 December 2010, the amount of ERAMET commercial paper outstanding was nil.

### 1.2.3.3. REPOS

On 20 December 2010, ERAMET renewed its repo programme. At that date, the drawdown amount was €234 million, with a renewable 3-month maturity. The expiry date for this programme is 20 March 2012. At 31 December 2010, the repos were unutilised.

(1) Net cash comprises Cash & cash equivalents and Other financial assets less Short and Long-term borrowings.

## 1.2.4. Investments

### 1.2.4.1. GOALS

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

### 1.2.4.2. MAIN INVESTMENTS

#### TOTAL AMOUNT OF CAPITAL EXPENDITURE

Capital expenditure on property, plant and equipment recognised at Group level came to €231 million in 2005, €309 million in 2006, €319 million in 2007, €419 million in 2008, €286 million in 2009 and €326 million in 2010.

Financing methods for major projects vary depending on each investment (own resources and finance leasing in particular). The Nickel Division programme was funded from own resources and, in part, by a tax exemption granted under the French Paul Act. Further information is given in Notes 4 and 5 to the consolidated financial statements.

Current capital expenditure is generally funded from own resources.

#### BREAKDOWN OF CAPITAL EXPENDITURE BY DIVISION AND DESCRIPTION OF MAJOR PROJECTS

##### Nickel Division

| Nickel Division | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|
| Investments recognised | €135 million | €189 million | €107 million | **€124 million** |

**Modernisation of Société Le Nickel-SLN's production equipment**

In furtherance of the production goal set for 2012, a major upgrade of production equipment was continuing at Doniambo and on the mines.

At Doniambo, this programme was started in 2006, and in 2010, was deployed across the plant with the main tasks of renovating a bucket-wheel excavator, a drier, a rotary calcining kiln, an electrical-furnace roof and exhausters, a fuel tank and the related peripheral storage units. Several environmental as well as health & safety issues were also addressed.

In the mines, the renewal of the mobile equipment is progressing, with the fixed plant at SLN's current sites being modernised. This year, the capital expenditure was chiefly focused on the Thio centre.

**Study of a new Société Le Nickel SLN electric power plant**

The preliminary project studies for a new electric power plant at Doniambo were re-opened, widening the range of solutions examined, with particular reference to fuel (Liquefied Natural Gas or coal), technology choices and partnerships. A firm decision concerning some of these points has been made in early 2011 and an investment decision will be made in 2012.

**Eurotungstène and Le Havre-Sandouville**

At Sandouville and Eurotungstène, several items of expenditure were designed to maintain the production facilities and improve working conditions, health and safety. Several new-product creations or increases in production capacity for existing products were also acted upon, although without significantly changing output from both entities.

**Weda Bay project**

The banking feasibility study (Detailed Preliminary Project) was launched during the year after a general project review advocated breaking implementation down into two phases, staged over time. The studies are being conducted in Indonesia, in Kuala Lumpur and inFrance, in order to gather the full information required for a decision scheduled for end 2012. The requests for administrative authorisation were made in accordance with Indonesian regulations.

## Manganese Division

| Manganese Division | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|
| Investments recognised | €129 million | €145 million | €110 million | **€130 million** |

As in the previous year, and despite a steady recovery from the crisis, the Manganese Division strove to maintain its investments at an optimal level in 2010.

- For the Chemical Recycling business, most of the investment at the five Erachem sites focused on stay-in-business maintenance of the plant, and improvement in productivity. In addition, a new roasting furnace was installed at Valdi and the gas treatment project for the Freeport plant was authorised.
- Capital expenditure in the Mining and Alloys business was confined to strategic projects and essential furnace renovations. Early in the year, the project to increase capacity at the Moanda mine had been relaunched, after being put on hold the year before.

### New Guilin project

This project consists of building a new manganese alloy plant at Guilin, to replace the current obsolete plant, which is also located in an area that the authorities want to designate for non-industrial activities. The new plant will focus on producing refined alloys, in line with both Chinese market trends and the Division's strategy. This project, which had been rescheduled the year before, progressed in line with forecasts and is scheduled to begin production at the end of 2011.

### Project for metallic Mn and SiMn plant at Moanda (Complexe Métallurgique de Moanda)

This new-plant project, located near the Moanda mine, is designed to maximise the value of the currently unexploited low-grade mineral resources in order to produce SiMn and metallic Mn.

The electricity supply will be provided from a public hydroelectricity plant owned by the Gabonese State, with no involvement of ERAMET in any aspect of its production and financing. Construction of that power plant continued in 2010, very slightly behind the initial planning schedule.

After the feasibility studies and the first earthmoving works in 2009, 2000 and then saw the putting in place of the engineering contract, the start of detailed studies and the early plant and equipment orders. Commissioning is scheduled for the end of 2013.

### Project for capacity increase in Gabon

Initiated in 2008, this project has the following goals:

- rehabilitating the river Moulili with reclamation of the sediment deposited in it;
- ending all discharges of waste from the washing plant; and
- achieving annual capacity of 4 Mt.

This project had been suspended in 2009, maintaining only the ending of waste emissions from the washing plant. This part of the project was completed in 2010, and the washing plant now operates with zero emission.

The project to reclaim the sediment in the Moulili River, frozen in 2009, was relaunched in early 2010, and commissioning is scheduled for end 2011.

The capital expenditures required to reach an annual capacity of 4 Mt/year in 2012 were phased back in, particularly with the ordering of two new locomotives at the year-end.

### Setrag upgrade project

The project to renovate the track and infrastructures is a multi-year programme to fulfil the contractual commitments made at the signing of the operating concession for the Transgabonais Railway by Setrag, a subsidiary of Comilog S.A.

The renovation of the track (50,000 sleepers and 30,000 metres of rail replaced in 2010) progressed at an appreciably similar pace to previous years.

Especial attention was paid to modernising the Setrag rolling stock, with the ordering of 6 new locomotives, with commissioning phased from late 2011 to early 2012.

### Project to renovate furnaces and reduce atmospheric emissions at the alloy plants

At the alloy plants, the investment projects focused on furnace renovations which had become essential due to the condition of the refractories and in order to reduce atmospheric emissions.

At Marietta in the United States:

- Furnace 18, which was shut down during the year, was not restarted;
- Furnace 12, which had been shut down in 2009, was successfully restarted in 2010.

In Norway:

- Renovation of furnace 10 at Porsgrunn, initially scheduled for 2011, was brought forward to 2010 on account of serious misgivings regarding the condition of the refractory;
- Furnace 1 at Kvinesdal was relined with refractory.

### Alloys Division

| Alloys Division | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|
| Investments recognised | €54 million | €83 million | €67 million | **€69 million** |

In 2010, the Alloys Division continued its programme of strategic investment in its subsidiaries:

#### Aubert & Duval

- Increasing the vacuum processing capacity at the Les Ancizes site: work has been completed on the construction of the building, and assembly of the plant and equipment is in progress, with commissioning scheduled for Q3 2011.
- Forging press at the Issoire site: assembly of the press has been completed, with commissioning scheduled for H2 2011.
- UKAD (titanium ingot working plant): work has been completed on the construction of the building, and assembly of the plant and equipment is in progress, with commissioning scheduled for Q3 2011.

#### Erasteel

- Powder metallurgy production tower at the Söderfors site in Sweden: work has been completed on the construction of the building, and assembly of the plant and equipment is in progress, with commissioning scheduled for Q4 2011.

In addition to the strategic investment programme, the Alloys Division has continued to modernise its plant and equipment and increase its capacity at different sites, chiefly in the areas of heat treatment, finishing (machining and testing) and Information Systems.

## 1.2.5. Recent trends and outlook

### 1.2.5.1. INFORMATION AT THE DATE OF THE BOARD OF DIRECTORS MEETING ON 16 FEBRUARY 2011

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

### 1.2.5.2. OUTLOOK FOR 2011

#### ERAMET NICKEL

Nickel prices at the LME have continued to rise since the start of the year, in a context where supply of nickel remains outstripped by demand, particularly due to delays in starting new projects.

ERAMET Nickel is continuing the implementation of its sustainable-development project for SLN, with an initial production target of 60,000 tonnes in 2012, preparing to increase production to a target of 65,000 tonnes by 2014.

#### ERAMET MANGANÈSE

World steel production is continuing to expand, driven by firm demand from emerging countries. In addition, it is currently benefiting from the fall in steel stocking levels. This growth in demand should work in favour of a phased adjustment to alloy and ore stocks in China. ERAMET Manganèse is aiming to increase ore and sinter production in 2011, in line with the steady rise in Comilog's production towards the target of 4 million tonnes in 2012.

#### ERAMET ALLIAGES

The trend on the aeronautics and tooling markets remains favourable, driving the continued growth in activity and performance by ERAMET Alliages.

#### ERAMET GROUP

In this context, prospects of favourable for the start of 2011, although volatility is high.

# 1.3. 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-Peñarroya-Mokta group). Later milestones in the life of the Company and Group are as follows:

**1974 –** The nickel business was spun off into a subsidiary under the name Société Métallurgique Le Nickel-SLN: Elf Aquitaine acquired a 50% interest in this new company. The former company Le Nickel changed its name to Imétal and held 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, acquired a 70% stake in the Company's share capital. Imétal and Elf Aquitaine's stakes were reduced to 15% each.

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

**From 1989 onwards,** 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 Commentryenne 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% of market share.

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

**1992 –** Société Métallurgique Le Nickel-SLN and ERAMET-SLN 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.

A Private placement 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) transferred ownership of its Cofremmi subsidiary, owning nickel ore reserves in New Caledonia, in return for the grant of 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 acquired 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 (of the Gencor Group) whereby that company sold ERAMET a 15% interest in Comilog. ERAMET now held 61% of Comilog.

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

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

- the Group consolidated S.I.M.A. (Duval family), a leading global producer and transformer of high-performance special steels and nickel alloys;
- disposal of 30% of Le Nickel-SLN to ERAP in exchange for ERAMET shares; ERAP then transferred that interest to a New Caledonian State-owned entity, Société Territoriale Calédonienne de Participation Industrielle (STCPI). The French State transferred the remaining stake in ERAP to Cogema, which was subsequently absorbed into 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 stood dramatically transformed. Its businesses were now structured into three Divisions – Nickel, Manganese and Alloys – and the Group's share capital was mostly held by private shareholders, with the French state retaining a non-controlling interest.

**2000 –** Acquisition of the Mexican company Sulfamex, producing manganese-based agrochemicals.

Inauguration of the Moanda industrial complex (Gabon): this new manganese ore beneficiation and sintering plant broadened Comilog's product range and extended the lifespan of its reserves.

**2001 –** Launch of the programme to expand nickel production capacity by 25% in New Caledonia.

Launch of a capital investment project for a new forging and closed die-forging plant in France with a 40,000-tonne 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 interest (78%) in Peter Stubs (UK).

**2003 –** Heavy losses impelled the launch of a restructuring programme in the Alloys and Manganese Divisions:

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

Acquisition of a 100% interest in the Trappes research centre (France) and a 100% interest in Eurotungstène.

**2004 –** New Caledonia: commissioning of the new furnace.

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

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

Buyout of the AREVA group's non-controlling interest in the Manganese Division.

Purchase from Comilog of an 80% interest in 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 tonnes by 2008. The oil catalyst recycling business was strengthened through two projects by ERAMET's Gulf Chemical and Metallurgical Corporation subsidiary (GCMC): acquisition of a 100% interest in Bear Metallurgical and the launch to the construction of a new oil catalyst recycling unit in Canada.

In November 2005, ERAMET was granted a 30-year concession to operate the Transgabonais railway.

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

**2006 –** Aubert & Duval: opening of the tool steels distribution centre in Wuxi (China).

Acquisition of Weda Bay Nickel.

Manganese ore production reached 3 million tonnes.

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

**2007 –** Electrolytic manganese dioxide (EMD) plant in China: opening of new plant at Chongzuo, in southern China.

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

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

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

New Caledonia: opening of the Poum mine at end 2007.

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

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

**2009 –** February: Weda Bay project: partnership and agreement for the sale of 33.4% of Strand Minerals (Indonesia) to Mitsubishi Corporation.

March: Tinfos: new agreement allowing ERAMET to raise its stake in Eralloys to 100% from 56 to 94.3% while reducing its interest in Notodden from 56 to 34% (Eralloys brings together the business lines of the former Tinfos excluding the Notodden electricity plant).

April: construction started on the Moanda metallurgy complex (Gabon). Aubert & Duval established a new titanium processing unit (UKAD) in Auvergne (France).

May: completion of the second phase in the acquisition of Eralloys (ex-Tinfos) (Norway).

June: ERAMET raised its stake in Eralloys to 100% after acquiring the non-controlling interests.

December: agreement for the sale of Nizi, an international trading business acquired in 2008 with Tinfos.

Agreement to acquire Valdi (France), engaged in recycling non-ferrous metals.

**2010 –** February: ERAMET and Bolloré signed an agreement to explore lithium deposits.

July: Agreement between STCPI and ERAMET on an 18-month extension of the SLN shareholders' agreement.

October: Agreement with the Gabonese Republic to progressively (until 2015) increase its interest in the capital of Comilog.

# Activities



2

# 2.1. GROUP STRUCTURE

**ERAMET Group**

**ERAMET Engineering (100%)**
**ERAMET Research (100%)**
**ERAMET International (100%)**

**ERAMET Alloys**
High-performance special steels and superalloys
High-speed steels
Closed die-forged parts

- A & D (France – 100%)
  - UKAD (France – 50%)
- Erasteel (France – 100%)
  - Erasteel Kloster (Sweden – 100%)
  - Erasteel Inc (USA – 100%)
  - Erasteel EIM (China – 100%)

**ERAMET Manganese**
Manganese : high-grade ore and alloys and chemicals derivatives
Catalyst recycling, batteries
Ferrovanadium and ferromolybdène
Titanium dioxide and high-purity smelting business

- Comilog (Gabon – 65.08%)
  - Setrag (Gabon – 83.88%)
  - Maboumine (Gabon – 60%)
  - Comilog Dunkerque (France – 99.99%)
  - Erachem (Belgium, USA, Mexico – 100%)
  - Gulf (USA-Canada – 100%)
- Comilog Asia Ltd (China – 80%) (20% held by Comilog)
- ERAMET Norway (100%)
- ERAMET Marietta (USA – 100%)
- Valdi (France – 100%)
- ERAMET Titanium & Iron (Norway – 100%)

**ERAMET Nickel**
Ferronickel, high-purity nickel
Nickel and cobalt chlorides
Nickel carbonate
Cobalt and tungsten powders

- Société Le Nickel-SLN (56%)
- Usine de Sandouville-Le Havre (100%)
- Eurotungstène (100%)
- Strand Minerals Pte. Ltd. (66.6%)
  - PT Weda Bay Nickel (90%)

# 2.2. THE NICKEL DIVISION

## 2.2.1. Nickel market

### 2.2.1.1. NICKEL DEMAND

#### NICKEL DIVISION

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

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 working);
- mechanical strength;
- electrical resistance;
- magnetic properties.

It possesses electrochemical properties: it can be electrochemically deposited in a thin layer, and is used in rechargeable batteries. Nickel also has catalytic properties.

The symbol for nickel in the periodic table of the elements, "Ni", is a commonly-used abbreviation.

## USES OF NICKEL

Stainless steel is by far the world's largest-consuming sector for nickel. Global nickel consumption in 2010 broke down as follows:

| | |
|---|---|
| Stainless steel (8-12% nickel) * | 65% |
| Nickel-based alloys (25-100% nickel) | 12% |
| Electroplating (nickel plating) | 10% |
| Casting and alloy steels (less than 4% nickel) | 8% |
| Rechargeable batteries | 3% |
| Coins | 1% |
| Other uses (including catalysis) | 1% |

** Austenitic grades, including low-nickel "200 series" grade.*
*Sources: ERAMET estimates.*

## END USES OF NICKEL

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

### Stainless steel

#### Food safety, hygiene

This is one of the major uses of stainless steel. Stainless steel has outstanding hygienic properties that are crucial to consumer safety, particularly when used in the following forms: household equipment (sinks, cutlery, saucepans, dishes, etc.); domestic appliances (washing machines, microwave ovens, catering kitchen ranges); food industry and pharmaceutical production tools; surgical equipment, etc. Its properties often make stainless steel 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 durability.

#### Transportation

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

### 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 energy generation and for some oil industry applications.

#### Nickel/iron alloys

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

#### Corrosion-resistant nickel alloys

These alloys are used in chemical industries and in environmental-protection 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

Automotive industry and mechanical engineering.

### Rechargeable batteries

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

### Coinage

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

### Other

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

## NICKEL AND SUSTAINABLE DEVELOPMENT

In all its applications, nickel imparts durability to the components containing it. In addition to Nickel's intrinsic qualities, analysis of the component life cycles clearly points to the economic rationale for using nickel in preference to other materials.

Nickel can be recycled indefinitely and its high economic value makes it worthwhile to collect and recycle. 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 customers: stainless steel producers. In 2010, recycled nickel accounted for approximately 42% of the nickel used in producing stainless steel worldwide. Nickel is used in a great many environmental-protection applications (gas and effluent treatment, etc.).

### THE NICKEL MARKET

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

As a growing share of the population in newly industrialised countries achieves higher living standards, the nickel demand in these countries is accelerating sharply. Historically, Japan, and later the Asian "tigers" bear witness to this. The current focus of development is China, where a middle class of several hundred million people is emerging. Nickel consumption in China rose threefold in the last five years to close upon 40% of world consumption in 2010. This firm uptrend is set to continue for the next decade, while other countries such as India or Brazil also possess enormous growth potential.

More recently, substitution has begun between stainless steel grades. The rise in nickel prices from 2002 to 2007 and the increasing significance of China, which has less firmly-established quality standards, gave rise to the development of ferritic (nickel-free) grades and low-nickel "200 series" grades with 1% to 4% of nickel content, while at the same time, austenitic "300 series" stainless steel with approximately 8% to 10% of nickel content lost 17 percentage points of world market share from 2002 to 2007. This trend towards substitution slowed sharply in 2008, with the "300 series" even stabilising around 58-60%. In addition, the properties of these different stainless-see all families differ widely and a number of industrial applications rule out any substitution for austenitic stainless steel.

## 2.2.1.2. NICKEL SUPPLY

### THE THREE TYPES OF NICKEL ORE

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

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 method of mining them 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: copper, cobalt, gold, silver and often platinoids.

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

#### Oxide ores: laterites, from the upper mining levels

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

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

#### Oxide ores: garnierites, from rate lower mining levels

The mines are opencast, generally in tropical zones (New Caledonia, Indonesia, Philippines, Colombia, Dominican Republic and elsewhere). Garnierites are located under laterites. They have higher nickel grades (approx. 1.5-3%). They 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, less frequently, an intermediate product, matte (nickel sulphate), which is refined to make metallic nickel.

Since 2006, China has imported large quantities of low-grade nickel garnierites and laterites to produce low-grade nickel cast iron (called nickel pig iron or nickel basic feed) by converting old blast furnaces for smelting. This type of processing has a strong environmental impact, with lower technical efficiency in terms of yield and quality. Production using electrical furnaces is also developing.

The hydrometallurgy process developed by ERAMET has the advantage of simultaneously processing the laterites and the low-grade garnierites.

## MINING PRODUCTION IN 2010, BROKEN DOWN BY COUNTRY

**2010 mining production** *(in thousands tonnes of nickel content)*

| | | |
|---|---|---|
| Russia | 264.0 | 16.8% |
| Indonesia | 231.4 | 14.7% |
| Philippines | 188.0 | 11.9% |
| Australia | 179.8 | 11.4% |
| Canada | 160.0 | 10.2% |
| New Caledonia | 130.0 | 8.3% |
| China | 79.0 | 5.0% |
| Colombia | 72.0 | 4.6% |
| Cuba | 66.0 | 4.2% |
| Brazil | 58.5 | 3.7% |
| South Africa | 40.9 | 2.6% |
| Botswana | 32.4 | 2.1% |
| Greece | 15.8 | 1.0% |
| Macedonia | 14.3 | 0.9% |
| Venezuela | 10.8 | 0.7% |
| Finland | 10.8 | 0.7% |
| Serbia | 6.6 | 0.4% |
| Spain | 6.1 | 0.4% |
| Zimbabwe | 4.8 | 0.3% |
| Zambia | 3.7 | 0.2% |
| Albania | 0.4 | 0% |
| **WORLD** | **1,575.3** | **100%** |

*Forecasts – Source: International Nickel Study Group (INSG).*

## NICKEL INDUSTRY INVESTMENT COSTS

Capital expenditure levels are particularly high in the nickel industry.

On average, investments doubled in the recent years preceding the crisis, due to both price inflation driven by high demand and the increasing complexity of the deposits to process (locations, ore contents and analyses, depths, etc.), as well as the need to take full account of environmental aspects.

## INTEGRATED PROJECT DEVELOPMENT TIMELINES IN THE NICKEL INDUSTRY

New integrated projects (mine + plant) entail long development timelines.

Several stages are essential:

- geological surveys: 3 to 7 years;
- pre-feasibility study: 1 to 2 years;
- new-process pilot run: 2 years;
- bank feasibility study: 1 to 2 years;
- construction (mine and plant): 3 to 4 years.

The minimum time to allow is thus 10-15 years, but it can sometimes take several more years if there are difficulties in negotiating the tax and environmental terms and obtaining the necessary finance.

## NICKEL PROCESSING

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

Acid leaching technology now emerges as a critical adjunct to delivering the nickel quantities the market needs.

## 2.2.1.3. NICKEL PRODUCERS

| 2010 *(nickel content, in thousands tonnes)* | | Metallurgical production | Finished products |
|---|---|---|---|
| Norilsk | Russia/Finland | 281.5 | 19.8% |
| Vale Inco | Canada/GB/Japan | 155.8 | 11.0% |
| Jinchuan | China | 124.0 | 8.7% |
| BHP Billiton | Australia/Colombia | 93.0 | 6.6% |
| Xstrata (Falconbridge) | Canada/Dominican Republic | 91.5 | 6.5% |
| Sumitomo Metal Mining | Japan | 57.4 | 4.0% |
| ERAMET | France (New Caledonia) | 52.7 | 3.7% |
| Pamco | Japan | 40.1 | 2.8% |
| Anglo-American | Brazil/Venezuela/South Africa | 38.4 | 2.7% |
| Sherritt | Canada | 33.9 | 2.4% |
| Other | | 452.0 | 31.8% |
| **Total** | | **1,420.3** | **100%** |

*Sources: INSG (International Nickel Study Group) – Producers – ERAMET estimate.*

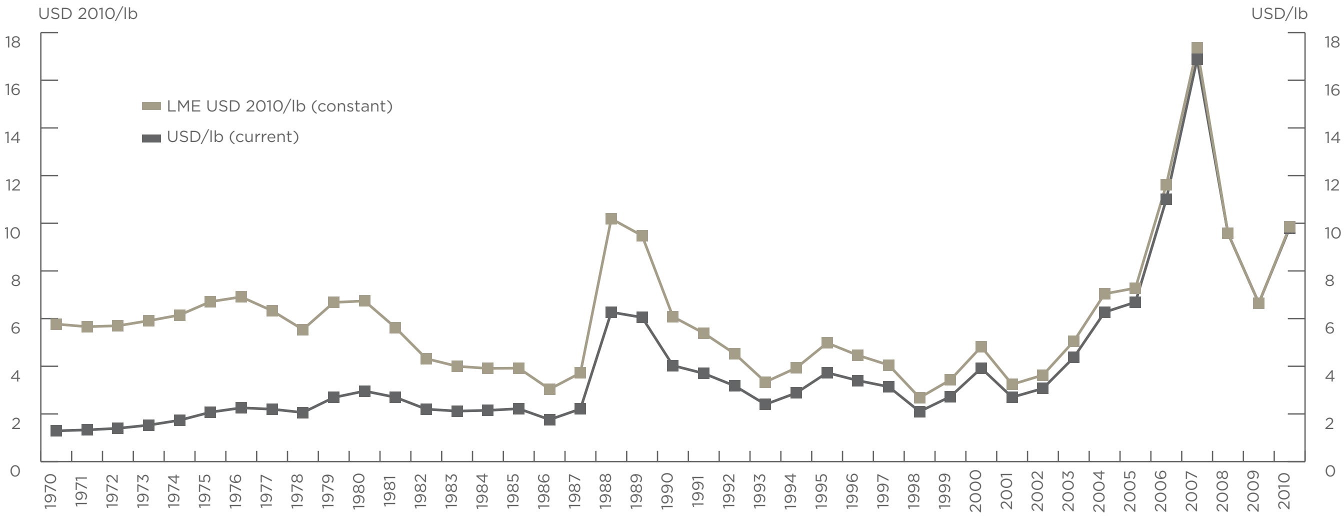
## 2.2.1.4. NICKEL PRICES

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 be settled by physical delivery of metal. In practice, however, only a small fraction of trading results in physical delivery. Sizeable volumes are also traded over-the-counter between financial institutions.

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

The significance of financial players on the LME is reflected in high short-term volatility and the effects of speculating on future trends in the physical market.

The chart below illustrates historical trends in nickel prices (in USD/lb at current parity and 2010 USD/lb a constant currency parity):




*Source : London Metal Exchange – Thomson Financial.*

Over the long term, however, the physical market remains the main controlling factor in nickel price fluctuations.

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

After nickel peaked on the LME in 2007 at more than US$17/lb, equivalent to US$37,000/t and then dropped at US$6.7/lb *i.e.* slightly under US$15,000/t, nickel price raised in 2010 to US$9.9/lb *i.e.* US$22,000/t, a level in line with costs and energy prices.

## 2.2.1.5. STATE OF THE NICKEL MARKET

After sustaining the full effects of the world economic crisis, the world nickel market rebounded in 2010. The average annual nickel price in 2010 was US$9.89/lb, 49% higher than the 2009 average. The nickel price reached a high in April (US$12.52/lb, the highest level since the peak in May 2008), reflecting sound fundamentals during the early months of the year. Thereafter, it plummeted 35% from end April to early June, reacting to exogenous macroeconomic factors (the debt crisis in the Southern European countries, the tightening of China's monetary policy) and expectations of slowing demand in the 3rd quarter, combined with the end of the Vale strike in Canada. The nickel price finally recovered from August onwards, despite appreciably slowed stainless steel production in the 3rd and 4th quarters. This upturn was backed by the dollar's weakness and the attractiveness of metal commodities among financial investors.

After declining for two consecutive years, the stainless-steel market saw firm growth in 2010, with production climbing 21.5%. This rebound was particularly marked in the first half-year of 2010, when world stainless-steel production grew 41% compared with the same period in 2009, before shedding some 10% in the 2nd half-year. Accordingly, global stainless steel production is estimated at 30.4 million tonnes in 2010, above the previous high in 2008 (28.1 million tonnes). At 10.9 million tonnes, Chinese production expanded 20%. Europe, Japan and the United States also scored sizeable growth rates in 2010 (+24%, +30.5% and +40%), after a disastrous year in 2009.

Consequently, demand for primary nickel in stainless steel grew more than 16% in 2010. Demand for non-stainless-steel uses (nickel alloys and superalloys, electroplating, rechargeable batteries, etc.) also rebounded, growing some 12.5% (15% down in 2009). In all, effective demand for primary nickel saw firm growth in 2010 (+15%) to reach a new annual record level.

Nickel supply, for its part, grew 8.1% in 2010. a major proportion of this increase was due to the production of nickel pig iron in China, estimated at close upon 160,000 tonnes in 2010 (60,000 tonnes higher than in 2009), despite the significant increase in production costs for this business during the year. The rebound in nickel prices also enabled most producers to raise their production levels. However, world production was affected both by the strike at Vale in Canada, which continued until early July, and by a number of incidents occurring during the year, particularly affecting briquette production in Australia. Lastly, all new project starts scheduled for 2010 were postponed until 2011.

Our estimate for the overall market shortfall was 12,000 tonnes in 2010. This shortfall would have been still wider without the de-stocking of speculative stocks built up by China in 2009. According to our estimate, world stocks (with producers, at the LME and Chinese speculative and strategic stocks) decreased from 16 weeks' consumption at end 2009 to approximately 12.5 weeks at end 2010.

### Nickel supply and demand summary

| *(in thousands tonnes)* | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|---|---|---|
| Stainless steel production | 19 835 | 21 917 | 23 712 | 23 929 | 27 951 | 28 095 | 26 021 | 25 030 | **30 410** |
| Austenitic stainless steel production | 15,454 | 17,180 | 18,243 | 17,560 | 21,233 | 19,942 | 18,812 | 18,746 | **21,883** |
| Primary nickel % | 56.5% | 56.4% | 54.3% | 52.4% | 53.3% | 53.7% | 52.9% | 58.6% | **58.1%** |
| Primary nickel in stainless steel | 767.4 | 842.1 | 841.5 | 811.5 | 892.0 | 791.6 | 732.1 | 806.7 | **938.5** |
| Nickel, other uses | 386.8 | 405.9 | 415.5 | 470.2 | 499.2 | 523.8 | 530.2 | 449.0 | **505.7** |
| Visible nickel consumption | 1,154.2 | 1,248.0 | 1,257.0 | 1,256.1 | 1,381.1 | 1,369.9 | 1,252.4 | 1,323.8 | **1,432.2** |
| Nickel supply | 1,177.3 | 1,196.0 | 1,258.6 | 1,283.3 | 1,354.6 | 1,432.6 | 1,376.5 | 1,313.8 | **1,420.3** |
| Balance | 23.2 | (52) | 1.6 | 27.1 | (26.5) | 62.7 | 124.1 | (9.9) | **(11.8)** |
| Inventory in weeks' consumption (year-end) | 10.5 | 7.6 | 7.4 | 8.8 | 6.7 | 9.5 | 18.6 | 14.3 * | **12.5 *** |

* *Producer and LME stocks.*

*Sources: INSG – Producers – ERAMET estimates.*

## 2.2.2. Nickel Division overview

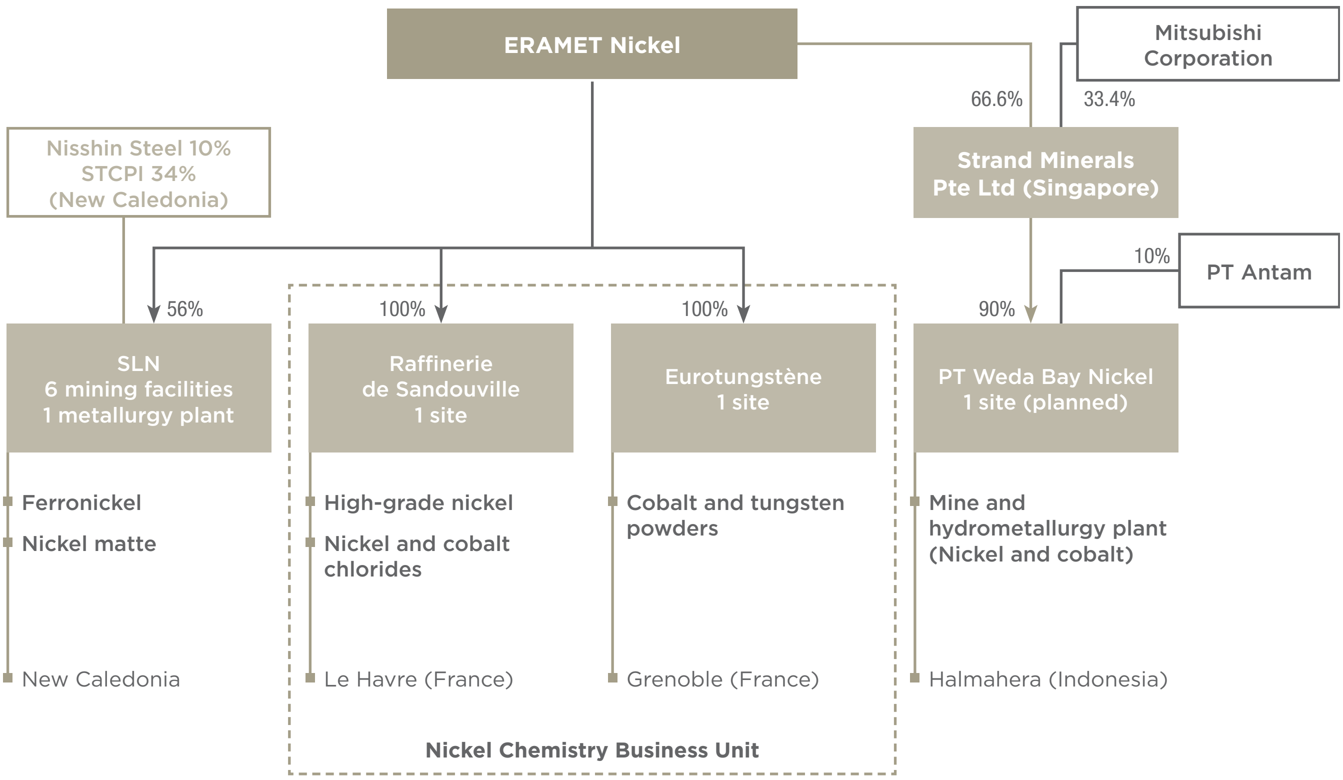
### 2.2.2.1. KEY POINTS

ERAMET has a strong and very long-standing presence in New Caledonia (since 1880).

- ERAMET is the world's sixth-largest nickel producer.
- ERAMET operates high-quality mines from the standpoint of both grade and reserves.
- All ERAMET's metallurgical production uses ore from its own mines.
- ERAMET is the world's second largest ferronickel producer, for the stainless steel market.
- The Group has made extensive investments in New Caledonia to renew a major proportion of the plant and equipment of Société Le Nickel-SLN (SLN) and to increase its production capacity in order to offset the effects of certain technical changes in its deposits.
- The aim is to produce 60,000 tonnes in 2012, then to expand production to 65,000 tonnes.
- ERAMET is examining the development of the Weda Bay project at Halmahera in Indonesia, with its partners, Mitsubishi and Antam. The final investment decision is scheduled for end 2012. This two-phase project will ultimately lead to production of 65,000 tonnes.
- Prony/Creek Pernod: ERAMET and the Southern Province of New Caledonia signed an agreement in January 2009 for developing the Prony and Creek Pernod deposits. However, the award of these deposits to SLN was overruled by the Nouméa Administrative Court, upon applications by Vale Inco. In February 2010, SLN appealed against these rulings.
- The two projects at Weda Bay and Prony/Creek Pernod, should ERAMET be finally chosen for the latter ore deposit, will use hydrometallurgical technology developed by ERAMET.

### 2.2.2.2. STRUCTURE

ORGANISATIONAL STRUCTURE AT 31 DECEMBER 2010



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

### Société Le Nickel-SLN

Société 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.

### Weda Bay Minerals Inc.

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

### ERAMET

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

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

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

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

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

- Nisshin Steel's acquisition of an interest in Société Le Nickel-SLN: the initial 5% interest (resulting from a reserved capital increase) was raised to 6% in 1992, 8% in 1993 and reached its definitive 10% level at end 1994 following sales of shares by ERAMET;
- the signing of a contract for the ERAMET Group to supply ferronickel to Nisshin Steel. The agreement, which was entered into in 1991 and renewed in 2001 and subsequently in 2007, provides for ferronickel shipments over several years.

**1999 –** In parallel to the S.I.M.A. share-transfer transaction, the ERAMET Group restructured the capital of Société Le Nickel-SLN, resulting in a 30% stake for STCPI, a New Caledonian state-owned special-purpose 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 Société Le Nickel-SLN to 34%. The transaction was completed on 23 July 2007 *via* the swapping of ERAMET and SLN stock, with STCPI thereafter holding only 4.1% of ERAMET's share capital.

### Eurotungstène

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

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

The research conducted 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 strong growth at the expense of conventional cobalt binders.

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

## MINES AND INDUSTRIAL FACILITIES

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

### Nickel mines

The Nickel Division mines located in New Caledonia benefit from:

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

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

### Operation of nickel mines

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

Five are directly operated by the Company:

- Thio, operated since 1875;
- Kouaoua, operated since 1960 and re-opened in 1977;
- Népoui Kopéto, operated from 1970 to 1982, reopened in 1994;
- Tiébaghi, operated since 1997; and
- Poum: this mine opened at end 2007.

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

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

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

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

### Népoui and Tiébaghi beneficiation plants

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

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

| *(in thousands wet tonnes)* | 2010 | 2009 | 2008 |
|---|---|---|---|
| Direct production | **2,567** | 2,574 | 2,430 |
| Outsourced production | **773** | 432 | 530 |
| **Total** | **3,340** | **2,925** | **2,960** |
| Laterites | **638** | 305 | 203 |

### 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 proportion varies according to the market trend in each product.

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

The Doniambo plant is one of the world's two largest ferronickel production units and sustained capital expenditure has driven the steady improvement in the technology and equipment used there. Its close proximity to the port at Nouméa also makes the plant directly accessible to cargo ships and ore carriers.

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

### Metallurgical production (ferronickel and matte) at the Doniambo plant *(in tonnes of nickel content)*

| | |
|---|---|
| 1994 | 50,129 |
| 1995 | 52,343 |
| 1996 | 53,413 |
| 1997 | 54,892 |
| 1998 | 56,502 |
| 1999 | 56,642 |
| 2000 | 57,463 |
| 2001 | 58,973 |
| 2002 | 59,867 |
| 2003 | 61,523 |
| 2004 | 55,180 |
| 2005 | 59,576 |
| 2006 | 62,383 |
| 2007 | 59,796 |
| 2008 | 51,131 |
| 2009 | 52,131 |
| **2010** | **53,719** |

### Sandouville refinery

The Sandouville-Le Havre refinery uses a high-performance hydrometallurgical process that was specially developed by ERAMET's research teams. The 70% nickel matte used is completely sourced from Société Le Nickel-SLN's metallurgical plant in Doniambo, New Caledonia.

The matte is crushed and then corroded by an iron chloride solution in the presence of chlorine. Several successive extraction stages in mixer-settlers separate out iron and cobalt 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 in several stages. The very pure nickel cathode obtained is usually cut up and put into drums. The Sandouville refinery has undertaken a policy of making high value-added products for various applications such as electronics and chemicals.

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

## NICKEL DIVISION MARKETING POLICY AND PRODUCTS

The Group has a global sales network, ERAMET International, that markets most of its nickel. The ore is sold directly by Société 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 and sales support to help them derive maximum benefit from its products in their own production processes. ERAMET maintains long-term partnerships with its customers. Ferronickel sales are usually covered by multi-year contracts with specific tonnage commitments.

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

### Ore

Ore is mainly sold to ferronickel producers in Japan and to the Yabulu plant in Australia (sold by the BHP Billiton group in July 2009).

### Ferronickel: the world's number two producer

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

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

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

- Metallic Nickel (HP Nickel): nickel cathodes are mainly sold to nickel alloy manufacturers (superalloys for aerospace and nuclear power, and alloys produced to constraints that improve resistance to corrosion, expansion, pressure etc.), as well as nickel electroplating workshops;
- Nickel chloride (SELNIC): ERAMET is the world's leading producer of nickel chloride, a product used in electroplating and in the chemicals industry (catalysts);
- Nickel carbonate (Nickel ONE): $NiCO_3$ is mainly used in the refining sector to make catalysts and in the ceramic industry as a pigment;
- Cobalt chloride: used in the tyre industry and in the chemicals industry (catalysts) and by ERAMET's Eurotungstène subsidiary.

## 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 extensive research facilities with ERAMET Research based in Trappes (France).

R&D work has led to the following developments:

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

Furthermore, the process improvements obtained through research and development have promoted a steady expansion in the capacity of the three Demag furnaces.

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

### NICKEL DIVISION RETURN ON CAPITAL EMPLOYED (ROCE)

ROCE: Current operating profit (loss) restated for provisions or reversals on fair-value tests/Capital employed at 31 December of year y-1 (Consolidated equity capital for the Division, plus net financial borrowing, plus the Poum/Koniambo mining indemnity, plus provisions for major disputes, redundancy plans and restructuring, less non-current financial assets, and excluding the Weda Bay investment).

**Nickel ROCE**

| % | 2006 * | 2007 * | 2008 * | 2009 * | 2010 * |
|---|---|---|---|---|---|
| Nickel | 79.7 | 119.6 | 23 | (7) | 26 |

** IFRS.*

# 2.3. THE MANGANESE DIVISION

## 2.3.1. Manganese market

### 2.3.1.1. MANGANESE DEMAND

#### 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 tonne of steel. Manganese represents a very small portion of the cost of steelmaking.

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

**Other applications**

- Rechargeable and disposable batteries: mainly alkaline disposable batteries. A smaller percentage continues to be used in saline disposable batteries, which are less efficient. Manganese derivatives are also used in rechargeable lithium batteries;
- Ferrites: used in electronic circuits;
- Agriculture: fertiliser and animal feed;
- Various chemicals: pigments, fine chemicals;
- Other metallurgical uses: mainly as a hardening agent for aluminium (beverage cans).

#### HISTORICAL CONSUMPTION TRENDS, OUTLOOK

Manganese demand is primarily influenced by trends in global carbon steel production.

The years from 1998 to 2008 saw firm average growth in world carbon steel consumption. 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, accelerating demand in emerging countries, with increasingly significant demand from China.

From 2002 to 2008, global demand even grew by over 7% annually, mainly driven by growth in Chinese demand of almost 14% *per annum.*

During the fourth quarter of 2008 and throughout 2009, effective steel consumption was sharply impacted by the crisis; widespread and deep stock cutbacks at steel consumers and producers amplified the effects of the crisis. Word production fell 8% from 2008, although the pattern varied according to zone. The developed countries produced 60-70% of the 2008 level, whereas from the 2nd quarter onwards, India and China returned to their pre-crisis production levels.

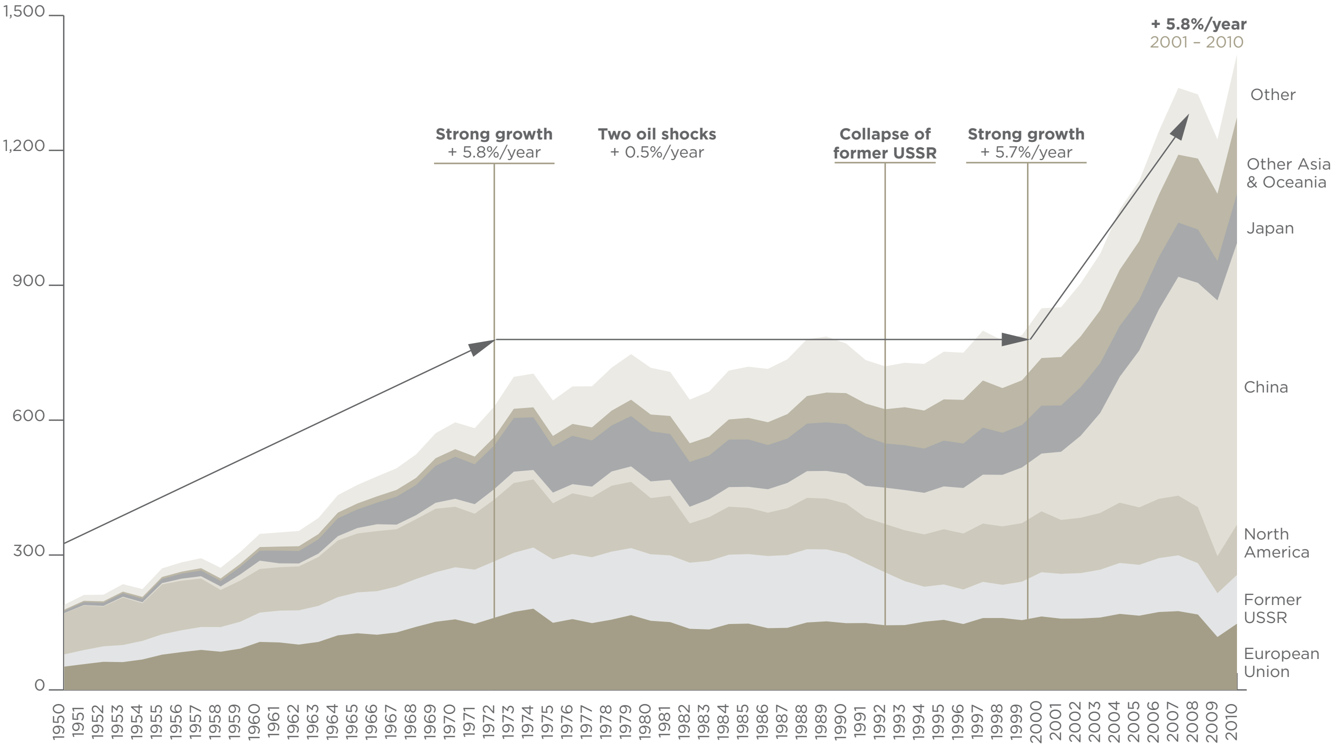
This decoupling was confirmed in the first half of 2010. Most of the emerging countries returned to at least their pre-crisis level, while China and India grew as much as 20-25% compared with the first half of 2008. During this period, steel production in the developed economic zones (Europe, North America, and Japan) returned to slight growth, leaving grounds for supposing that effective demand for steel was improving.

In the second half of 2010, it emerged that some at least of the first-half world production growth in developed countries was due to restocking, since steel production fell 6% in the third quarter (from Q2 2010) and stabilised at that level in Q4 (+2% compared with Q3, but still 4% down on Q2 2010). During the same period, Chinese steel production growth halted, reaching a plateau explained by two factors, stock adjustment in the third quarter and the government's wish to reduce energy consumption in the fourth quarter.

In all thanks to the buoyancy of the economies in China, India and emerging countries (World outside Europe, North America and Japan) which account for 70% of steel production, 2010 turned out to be a new record year with growth of 7% compared with 2008 and 16% compared with 2009. The crisis amplified the changes in the geographical distribution of manganese consumption: in 2010 the developed markets accounted for only 25 to 30% of world manganese consumption.

Beyond the crisis, medium- and long-term prospects are favourable, since growth in world demand will continue to be driven by the development of emerging countries, whose potential remains considerable. In particular, the urbanisation of world populations is an underlying trend: every year some 20 million persons in China and India, and 60 million worldwide are urbanising. As it happens, construction the council more than half the world consumption of steel. Needs relating to infrastructure and industrialisation are steadily being supplemented by needs for durable consumer goods such as cars.

## Carbon steel production by geographic zone *(in millions tonnes)*




*Source: WSA, ERAMET*

### Global carbon steel production by geographic area

| (in million tonnes) | 2008 | % | 2009 | % | 2010 | % |
|---|---|---|---|---|---|---|
| Europe | 201.1 | 15.2% | 142.5 | 11.6% | **177.3** | 12.5% |
| Former USSR | 114.2 | 8.6% | 97.5 | 8.0% | **108.6** | 7.7% |
| NAFTA (Canada/USA/Mexico) | 123.4 | 9.3% | 81.5 | 6.7% | **110.6** | 7.8% |
| Japan | 118.7 | 9.0% | 87.5 | 7.1% | **109.6** | 7.8% |
| China | 498.8 | 37.7% | 568.9 | 46.6% | **626.5** | 44.3% |
| India | 55.1 | 4.2% | 62.8 | 5.1% | **66.8** | 4.7% |
| Asia elsewhere & Oceania | 102.7 | 7.8% | 86.9 | 7.1% | **103** | 7.3% |
| Others | 109 | 8.2% | 96.6 | 7.9% | **111.1** | 7.9% |
| **Total** | **1,323** | **100.0%** | **1,224.2** | **100.0%** | **1,413.5** | **100.0%** |

*Source: WSA, ERAMET*

## 2.3.1.2. MANGANESE SUPPLY

### MANGANESE ORE

The supply of manganese ore is made up of two types of or of differing quality. As with iron ore, a distinction is made between high-grade ore with 35 to 40% content, for which shipment is affordable, and low-grade ore which is consumed locally. Although both types of ore are used in combination by alloy producers, the use value of the high-grade ore is very much higher than lower-grade ores. Hence, the manganese ore price is strongly influenced by availability of high grade ore and trends in its consumption.

Global ore production in 2010 was estimated to be 14.2 million tonnes of manganese content. Ore production is mainly from eight countries: South Africa, Australia, China, Gabon, Brazil, Ukraine, India and Ghana. The production of high-grade ore is concentrated in Australia, Gabon, South Africa and Brazil.

### Manganese ore production in 2010

*(manganese content, in thousands tonnes)*

| | |
|---|---|
| China * | 1,704 |
| Australia | 2,786 |
| South Africa | 2,989 |
| Brazil | 1,086 |
| Gabon | 1,416 |
| India * | 816 |
| Kazakhstan * | 365 |
| Ukraine * | 470 |
| Ghana * | 313 |
| Mexico * | 191 |
| Georgia * | 117 |
| Elsewhere * | 776 |
| **WORLD** | **13,029** |

** Low grade ore.*

*Sources: International Manganese Institute and ERAMET estimates.*

The main manganese ore producers are BHP Billiton, Comilog (ERAMET), Assmang and VALE.

### 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: the producers using this process are mainly based in China, due to the local availability of coke. Outside China, blast furnaces are exclusively located in Japan and Eastern Europe.

There are four product families:

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

ERAMET Manganèse is the world's leading producer of refined alloys.

### Breakdown of global manganese alloy production in 2010

| | |
|---|---|
| Silicomanganese | 63% |
| High carbon ferromanganese | 27% |
| Refined ferromanganese and refined silicomanganese | 10% |

*Sources: ERAMET estimates.*

### Global manganese alloy production in 2010
*(alloys, in thousands tonnes)*

| | |
|---|---|
| Europe | 1,123 |
| CIS | 1,864 |
| North America | 206 |
| China | 9,171 |
| Asia elsewhere and Oceania | 2,488 |
| Other | 1,507 |
| **WORLD TOTAL** | **16,565** |

*Sources: ERAMET estimates.*

The manganese alloy industry is highly fragmented. There are no significant technological barriers for high carbon ferromanganese and silicomanganese, which are standard products. Among the standard alloys, silicomanganese has grown the fastest, driven by the fact both that it can be produced mainly using low-grade ore available in China, India and Ukraine and that is suited to the production of long steel items which are benefiting from those countries' growth in construction.

The refined manganese alloys market is a specialist-products market. Refined alloys represent 10% of alloy production. This market is basically geared to the production of flat-steel products for markets such as the automotive industry and shipbuilding.

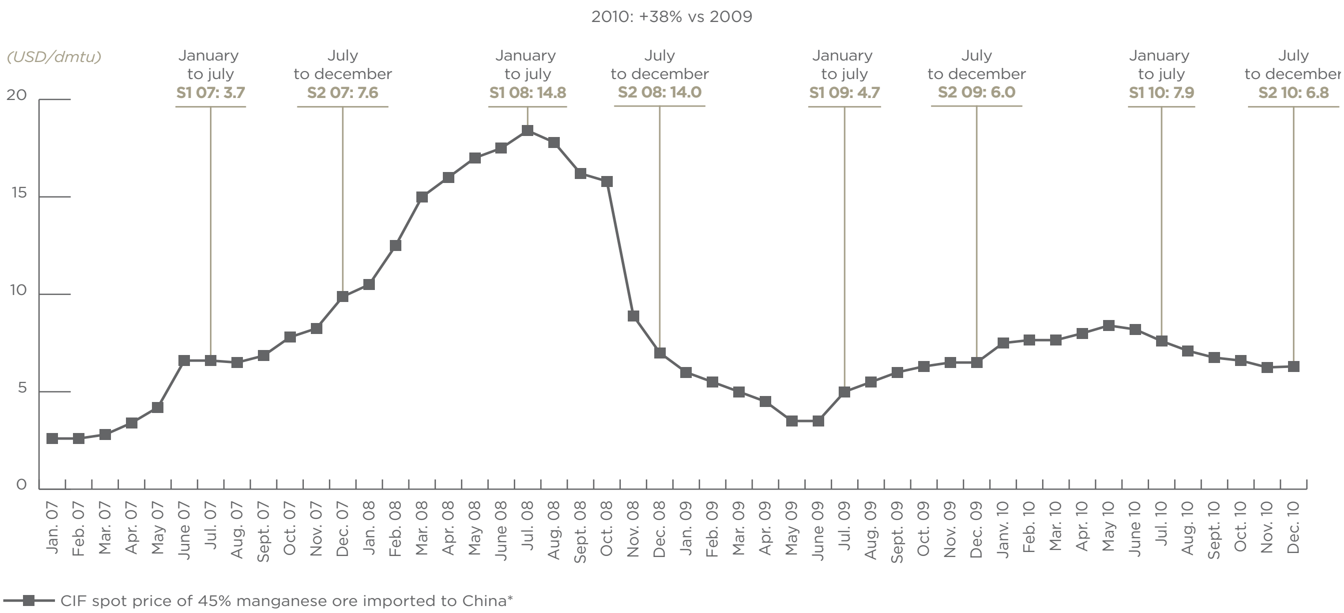
The producers are scattered among a large number of countries, even though China accounts for approximately one-half of world production.

The competitiveness of Chinese alloys and of metallic manganese, which is a substitute for refined alloys, fell sharply in early 2008 as a result of the Chinese government's decision to impose a 20% export duty on metallic manganese and alloys. The resulting withdrawal of the Chinese supply of manganese alloys for export has accentuated alloy production overcapacity in China. Outside China, the reduction in Chinese supply was offset in 2009 and 2010 by the fall in consumption. The industry's investment costs are relatively moderated, particularly in Chine, compared with those for the nickel industry.

## 2.3.1.3. MANGANESE PRICES

### MANGANESE ORE

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




*Source: CRU.*

Whereas previously, the high-grade ore price was set for one year, the validity term of contract prices has shortened since 2009, increasing the volatility of manganese ore prices. This trend further accelerated in 2010, with prices moving from quarterly to monthly quotation.

## MANGANESE ALLOYS

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

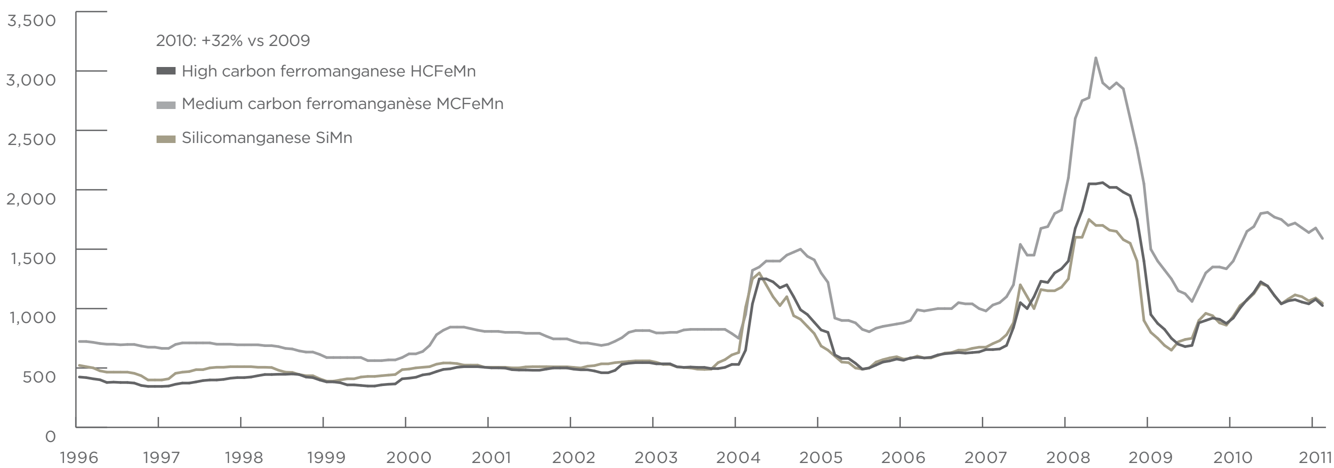
The manganese market is above all global and highly competitive. However, prices can sometimes vary between geographic areas (Europe, North America and Asia) because of movements in currency rates or economic cycles out of step with each other. These differences are usually only temporary.

Structural differences among the various alloy groups are due to 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 negotiated in euros. Prices are determined per gross tonne of alloy and not on manganese content. However, product quality, particularly manganese content, is taken into account when negotiating.

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

**Manganese alloy prices in Europe** *(in euros per gross tonne of alloy: €/t)*




*Source: CRU.*

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

### 2.3.1.4. RECENT MARKET CONDITIONS

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

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

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

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

Manganese ore supply is faced with certain logistical bottlenecks on the railways and at the ports of certain large producer countries like South Africa. At the same time, few major investment projects have been announced to meet the rapid growth in demand, and most projects are concentrated in South Africa.

Apart from logistical constraints and the cost of the ore itself, manganese alloy production is being affected by higher energy bills such as for electricity and coke, which are driving prices upwards. In addition, in China where most new capacity has been built in recent years, a new policy has been introduced designed to limit exports of a number of metallurgical products, including manganese alloys. This policy has been implemented through successive export duty increases.

The ore market is chiefly driven by ore consumption trends in China and hence, by Chinese steel production trends. Accordingly, ore demand recovered from late 2009 onwards. This sharp resumption of Chinese ore demand was accentuated by the expansion of demand in India, causing ore prices to increase in January 2010. Prices reached a peak in May 2010, with the high price levels encouraging the development of new manganese sources, and spurring existing producers to produce at full capacity. This increased supply resulted in ore imports to China increasing overrunning Chinese consumption growth, causing sharp increases in stocks at Chinese ports.

Stagnating Chinese steel production in the second half-year of 2010 prevented resorption of the surplus stocks, which stood at 3.4 Mt at end 2010.

Despite the likelihood of a sharp upturn in Chinese steel production in the first half of 2011 and a general improvement in steel production outside China, these surplus stocks can be expected to depress manganese prices and limit upward potential in the first half-year. Where alloys are concerned, the resumption of steel production growth in China is unlikely to resorb the structural overcapacity in alloy production in China, especially since Chinese alloy exports are not expected to resume. Manganese alloy prices in China should remain competitive.

Outside China, the alloy market during the first half benefited from re-stocking at steel-industry consumers, generating firmer prices. By contrast, during the second half of 2010, the fall in production took its toll of alloy prices, particularly as 2010 drew to a close. In the absence of any signs of a significant recovery in non-Chinese steel production in the first half of 2011, alloy prices should remain close to the low levels reached in late 2010.

The combination of fast-growing energy costs worldwide (coke, electricity), the likely firming of ore prices in the second half of 2011 and possible improvement in the world economic climate should enable manganese prices to stabilise in 2011.

In the medium term, the manganese ore supply capacity will be strongly dependent on South Africa's logistical capacities. In addition, Chinese ore production is struggling to cope with increased demand, while its ore grades (content) are tending to fall; this is increasing pressure to turn to higher-grade imported products.

## 2.3.2. Manganese Division overview

### 2.3.2.1. KEY POINTS

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

The Group undertook a programme to expand manganese ore production capacity, which it increased to 3 million tonnes in 2006 and to 3.5 million tonnes in 2008. More recently, the Group confirmed a new target of 4 million tonnes in 2012.

### 2.3.2.2. HISTORY OF THE MANGANESE DIVISION

**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 at Boulogne-sur-Mer, France) and DEM (alloy production by electric furnace in Dunkerque, 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 Manganèse Alliages.

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

Opening of the Moanda industrial complex (Gabon), a new manganese ore beneficiation and sintering plant, enhancing Comilog's product range and extending the lifespan of its reserves.

**2001 –** Closure of a ferromanganese blast furnace in Boulogne-sur-Mer and a silicomanganese electric furnace in Italy.

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

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

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

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

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

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

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

In November 2005, ERAMET was granted a 30-year concession to operate the Transgabonais railway.

**2006 –** Comilog production successfully increased to 3 Mt.

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

**2008 –** Acquisition of 58.93% of Tinfos, a Norwegian group (56% economic interest).

Start-up of the new Canadian catalyst recycling plant.

Agreement with the shareholders in Otjozondu Mining (Pty) Ltd (Namibia) to study the development of a manganese deposit in Otjozondu.

**2009 –** Acquisition of the remaining non-controlling interests in the former Tinfos (excluding the Notodden power plant in which ERAMET holds 34%).

Construction starts on the Moanda metallurgy complex (Gabon).

**2010 –** Acquisition of Valdi, a business specialising in recycling oil-industry catalysts, disposable batteries and waste from steelworks.

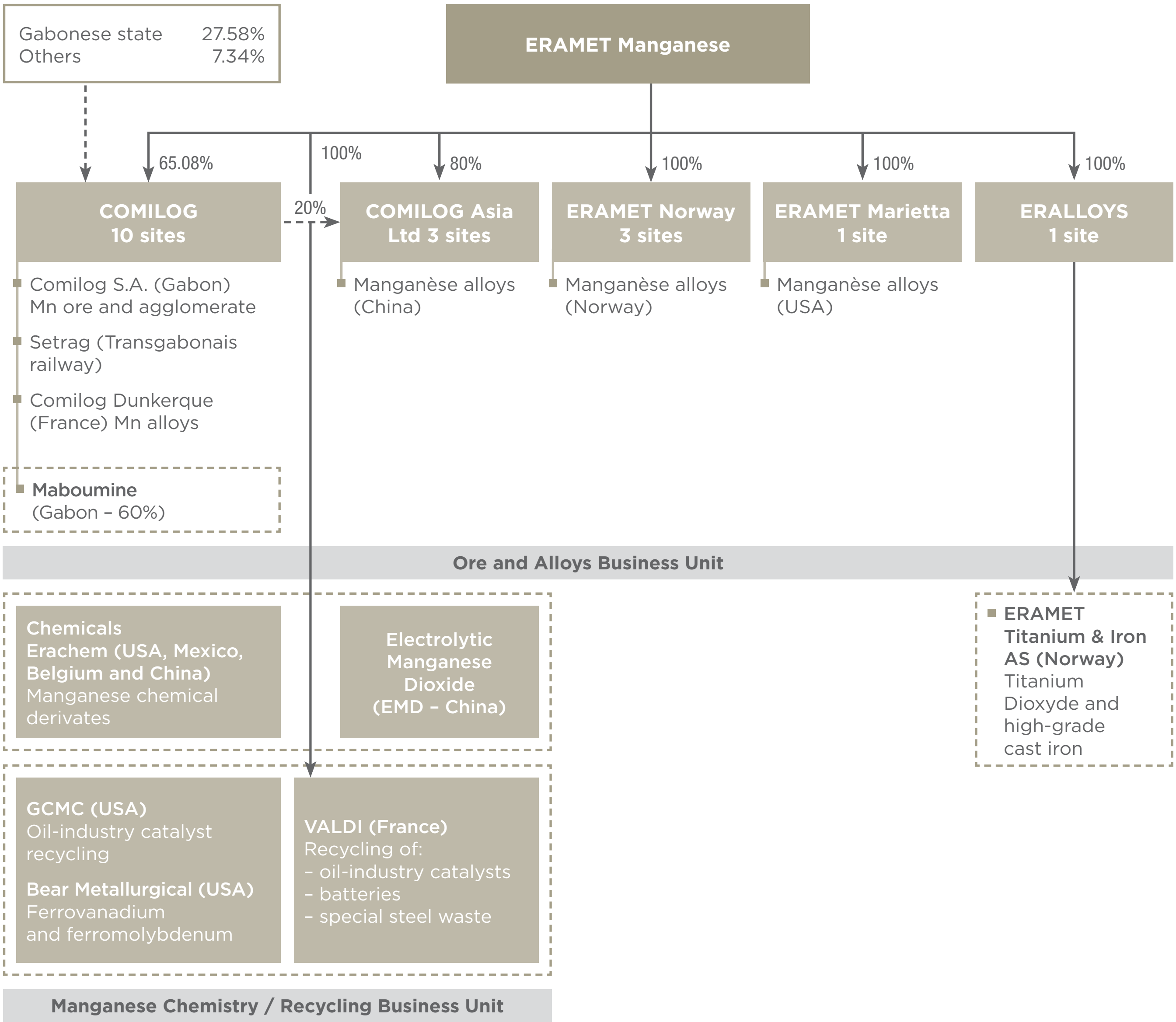
Disposal of the international trading businesses acquired from Tinfos (Tinfos Nizi).

Agreement for the Gabonese government to increase its investment in Comilog (increasing to 35% in 2015).

## 2.3.2.3. STRUCTURE

### ORGANISATIONAL STRUCTURE AT 31 DECEMBER 2010

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




- Comilog is a company operating under Gabonese law and 65.08% owned by ERAMET. Its business activities include:
  - Operation of the Moanda Manganese mine and sintering plant,
  - Operation of Setrag (Transgabonais railway),
  - Production of manganese alloys in Dunkerque (France),
  - Production of manganese-based chemical derivatives,
  - Recycling of metals contained in catalysts and electronic industry products (copper),
  - Production of ferrovanadium and ferromolybdenum;
- Comilog Asia has the two manganese alloy plants at Guilin and Guangxi, as well as the manganese chemical derivatives plant at Chongzuo;
- ERAMET Norway has two Norwegian alloy plants at Porsgrunn and Sauda;
- ERAMET Marietta (US) produces manganese alloys;
- Eralloys includes the Kvinesdal manganese alloy plant and the Tyssedal titanium dioxide plant in Norway (see acquisition of Tinfos).

## ORE AND ALLOYS BUSINESS UNIT

### The Moanda mine and sintering plant

The Moanda mine exploits one of the world's richest manganese ore deposits. The ore's manganese content averages around 46%. Ore reserves are discussed in Section 2.8.

The mine is opencast. The 4-5 metre-thick layer of overburden covering the ore is extracted by draglines. The run-of-mine ore is extracted using mechanical excavators and loaded onto 110-tonne 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 tonnes.

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 as well as transporting passengers. Comilog owns 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 a 30-year concession to operate the Transgabonais railway. This enables it to secure its logistics and ship fast-growing amounts of ore.

Comilog, *via* its subsidiary, Port Minéralier d'Owendo, holds the concession to operate its ore terminal, the Port of Owendo, with the capacity to store approximately 3 months' production. The port can berth 60,000-ton ships and load them in three days.

### Manganese alloy production

The Group is the world's second-largest producer of manganese alloys and the leading global producer of refined alloys, which are higher-value-added products. The Group possesses seven manganese alloy plants and is the only alloy producer with plant located in the three major consuming areas: Europe, the United States and Asia, enabling it both to provide better service to its customers and to protect itself from market and currency fluctuations.

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

In Gabon, ERAMET has begun construction of the Moanda metallurgy complex which, in 2013, will begin producing silicomanganese and metallic manganese.

### Production of manganese alloys for the steel industry

| *(in thousands tonnes)* | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|---|---|
| High-carbon ferromanganese (including China) | **256** | 246 | 287 | 299 | 279 | 290 | 295 |
| Silicomanganese | **196** | 197 | 172 | 191 | 201 | 185 | 202 |
| Refined alloys (medium and low-carbon FeMn) | **327** | 174 | 249 | 270 | 271 | 252 | 233 |
| **Total Mn alloy production** | **779** | **617** | **708 *** | **760** | **751** | **727** | **730** |

* *Excluding Tinfos.*

### Manganese alloy production sites

| Sites | Countries | Production capacity | Furnace type | Products |
|---|---|---|---|---|
| Dunkerque | France | 70 kt | Electric furnace | SiMn |
| Sauda | Norway | 180 kt | Electric furnace | HC, MC, LC FeMn, SiMn |
| Porsgrunn | Norway | 150 kt | Electric furnace | HC, MC, LC FeMn, SiMn, LC SiMn |
| Kvinesdal | Norway | 180 kt | Electric furnace | SiMn, LC SiMn |
| Marietta | United States | 180 kt | Electric furnace | HC, MC, LC FeMn, SiMn |
| Guangxi Province | China | 95 kt | Blast furnaces | HC FeMn |
| Guilin | China | 140 kt | Blast and electric | HC FeMn, SiMn |

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

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

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

## 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 housed under Erachem Comilog and is carried on from five plants:

| Location | Products |
|---|---|
| Tertre (Belgium) | Manganese salts and oxides |
| Marietta (USA) | Manganese salts and oxides |
| New Johnsonville (United States) | EMD (electrolytic manganese dioxide) |
| Tampico (Mexico) | Manganese oxide and sulphate |
| Chongzuo (Guangxi Province – China) | EMD (electrolytic manganese dioxide) |

The main markets targeted by manganese chemical derivatives are:

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

### Recycling business

This is currently carried on at six sites:

| | |
|---|---|
| Tertre (Belgium) | Copper solutions recycling |
| Freeport (United States) | Recycling of oil catalysts and recovery of metal content (vanadium, molybdenum, etc.) |
| Butler (United States) | Ferromolybdenum and ferrovanadium production |
| Fort Saskatchewan (Canada) | Catalyst recycling for the oil industry |
| Valdi—Le Palais-sur-Vienne (France) | Catalyst recycling for the oil industry<br>Processing of other metallic waste |
| Valdi—Feurs (France) | Recycling of rechargeable and disposable batteries<br>Alloy refining |

### Titanium dioxide and high-purity smelting business

| | |
|---|---|
| Tyssedal (Norway) | Titanium dioxide (pigments industry) and high-purity smelting for the foundry industry |

The Tyssedal plant in Norway sources ore (ilmenite) from several suppliers, producing titanium dioxide slag for use in the pigments industry.

A significant co-product of this activity is high-purity smelting, of which the output is sold to foundries for various uses, particularly the production of parts for wind generators.

## MANGANESE DIVISION MARKETING POLICY

Its industrial network and very wide product range enable the Manganese Division to provide a comprehensive product offer and a flexible response to its customers' varied manganese needs.

The Group takes a partnership approach to working with its customers and provides significant technical and sales support to help them derive maximum benefit from its products in their own production processes. Marketing policy is managed by ERAMET Comilog Manganèse, using the ERAMET Group world-wide marketing network, ERAMET International, which markets most of the Manganese Division's products. In countries where ERAMET International does not operate, the Group is represented by agents.

## RESEARCH AND DEVELOPMENT

The Group has extensive research facilities with ERAMET Research. These have been used, in particular, to develop and implement the sintering process at the Moanda (Gabon) manganese fines plant.

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

## MANGANESE DIVISION RETURN ON CAPITAL EMPLOYED (ROCE)

ROCE: Current operating profit (loss) restated for provisions or reversals on fair-value tests/Capital employed at 31 December of year y-1 (Consolidated equity capital plus financial debt, plus provisions for major disputes, redundancy plans and restructuring, less non-current financial assets).

### Manganese ROCE

| % | 2006 * | 2007 * | 2008 * | 2009 * | 2010 * |
|---|---|---|---|---|---|
| Manganese | 32.7 | 75.9 | 145 | (3) | **49** |

* *IFRS.*

# 2.4. THE ALLOYS DIVISION

## 2.4.1. Alloys Division businesses

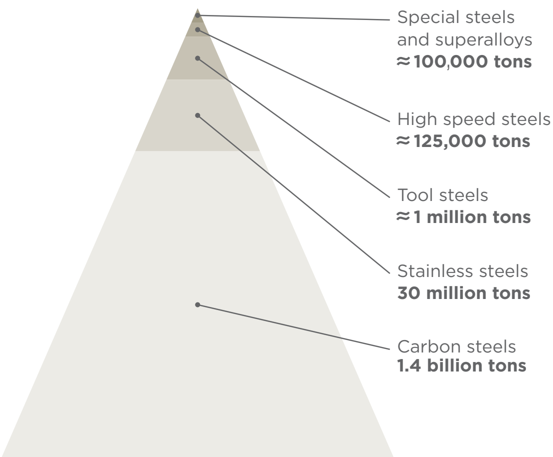
The Alloys Division makes special steels, tool steels, high-speed steels and superalloys and works them by forging and rolling. It has developed a thriving activity in the special field of closed die-forging which it uses to work special steels and superalloys and, in addition, titanium and aluminium. This process involves hot-shaping metal with a press or a ram, using tooling specially produced for each part to be manufactured.

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

## 2.4.2. Alloys Division markets

The materials and products marketed by the Alloys Division sell for far higher prices than carbon-steel or even stainless-steel items. Moreover, market volumes, and hence market size, are far smaller.

**Global production of the main categories of steel in 2010**




*ERAMET estimates.*

### 2.4.2.1. HIGH-SPEED STEELS

High-speed steels have a high carbon content and also contain tungsten, molybdenum, vanadium, chromium and sometimes cobalt. They contain no nickel. After heat 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, trimming cutters and reamers, etc. Flat products are used to make saw blades, cutting disks and industrial cutters.

Outside the cutting tools market, there are several other applications for high-speed steels, particularly for metal shaping and high-wear automobile parts.

Western consumption of high-speed steels has been affected by competition from tungsten carbide. Moreover, in recent years, industries consuming high-speed steel have tended to relocate to countries such as China, and to a lesser extent Brazil, particularly for less technically-intensive applications. These developments have made for a downtrend in the Western high-speed steel market.

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).

### 2.4.2.2. 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 tool 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, wear resistance and tensile strength (ability to bear high stresses without sudden breakage), which is often combined with good fatigue resistance (ability to withstand repeated stress).

Tool steel demand is mainly influenced by the launch of new models (vehicles, domestic appliances, etc.), requiring 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 (manufacture of tools for embossing, extrusion and light alloy injection);
- plastic-injection moulds.

### 2.4.2.3. NICKEL BASED ALLOYS

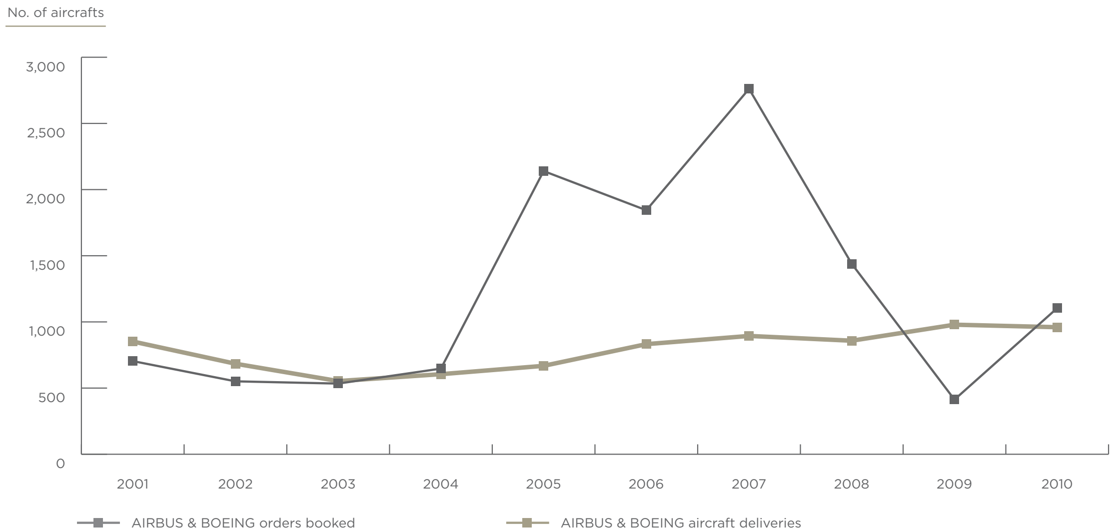
There are several types of nickel alloy that can be grouped together on the basis of the specific property required:

- alloys with special physical properties: low-expansion alloys, alloys with magnetic properties mainly for electronics industries, electrical elements (for industrial and domestic heating appliances) and alloys for transporting liquefied natural gas;
- corrosion-resistant alloys (chemistry, food industry, offshore platforms, nuclear power and environment);
- alloys exhibiting 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, may contain cobalt, molybdenum, titanium, aluminium or niobium. They are known for their good mechanical performance at high temperatures. Their main outlet is aerospace (engines). The gas turbine sector is also a major outlet for superalloys. The third market in terms of size is the automotive sector.

Demand for superalloys is mainly driven by aerospace, where annual medium to long-term growth is generally estimated at 5%. This line of business, however, is strongly cyclical in nature. The new-engine business is also complemented by the maintenance of existing engines.

**Number of aircraft delivered by Boeing and Airbus**




*Source: Airbus – Boeing.*

## 2.4.3. Production processes for steels with highly advanced characteristics and superalloys

### 2.4.3.1. PRODUCTION OF STEELS WITH HIGHLY ADVANCED CHARACTERISTICS AND SUPERALLOYS

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

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

#### AIR METALLURGY

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

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

#### VACUUM METALLURGY

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

REMELTING

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

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

POWDER METALLURGY

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

### 2.4.3.2. ALLOY SHAPING

After an alloy has been made, various techniques are used to shape the material mechanically, and usually using 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 the material into sheets, bars (typically 20-200 mm in diameter) or wire (5-20 mm in diameter) in order to assure 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 200-600 mm in diameter) or simply-shaped blanks in order to guarantee geometry and properties. This operation is conducted using heat and a press, a forging machine or even a ram, with a series of pressing runs between simple tools.
- Closed die-forging consists of shaping the material into closed die-forged blanks by hot pressing between two moulds machined in the shape of the parts. Closed die-forging is carried out with a press or ram. It is usually followed by machining and finishing operations.

## 2.4.4. Alloy producers

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

The Division’s special nature is built on:

- its expertise in closed die-forging for the four main groups of material: aluminium, titanium, steels and superalloys;
- upstream integration (production) in steels and superalloys.

| Companies | Processing | | | | | High-power closed die-forging | | | | Open forging |
|---|---|---|---|---|---|---|---|---|---|---|
| | High-speed Steels | Tools steel | High performance special steels | Superalloys | Titanium | High performance special steels | Superalloys | Aluminium | Titanium | |
| Alcoa (USA & Russia) | | | | | | | | | | |
| ATI (Crucible) (USA) | | | | | | | | | | |
| Ladish (USA) | | | | | | | | | | |
| Böhler + Buderus (Austria/ Germany) VoestAlpine | | | | | | | | | | |
| Bosch Gothard & Hüttel (Germany) | | | | | | | | | | |
| Carpenter (USA) | | | | | | | | | | |
| Cogne (Italy) | | | | | | | | | | |
| Corus (UK) | | | | | | | | | | |
| Elwood | | | | | | | | | | |
| **ERAMET Alliages** | | | | | | | | | | |
| Firth Rixson (USA & UK) | | | | | | | | | | |
| Kalyani (India) | | | | | | | | | | |
| Hitachi Tooling (Japan) | | | | | | | | | | |
| Latrobe Steel (USA) | | | | | | | | | | |
| Midhani (India) | | | | | | | | | | |
| Nachi Fujikochi (Japan) | | | | | | | | | | |
| Otto Fuchs (Germany)/ Weber (USA) | | | | | | | | | | |
| Schultz (USA) | | | | | | | | | | |
| Shanghaï Baosteel (China) | | | | | | | | | | |
| Schmolz & Bickenbach (Germany, USA) | | | | | | | | | | |
| Snecma (France) | | | | | | | | | | |
| Thyssen Krupp (Germany) | | | | | | | | | | |
| Valbruna (Italy) | | | | | | | | | | |
| VSMPO (Russia) | | | | | | | | | | |
| PCC (Wyman Gordon & SMC) | | | | | | | | | | |

## 2.4.5. Alloys Division structure

### 2.4.5.1. KEY POINTS

The following are the key facts concerning the Alloys Division:

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

### 2.4.5.2. ALLOYS DIVISION HISTORY

Within the Group, the development of the Alloys Division started out with the formation of Erasteel from 1990 to 1992. Subsequently in 1999, the various companies contributed by the S.I.M.A. group, most of which are now merged into Aubert & Duval, raised the Alloys Division to its present scale.

#### HISTORY OF ERASTEEL

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

**1846 –** Metallurgical production at the Commentry (France) site dates back to 1846 (rail production).

**1956 –** Founding of Commentrienne des Aciers Fins Vanadium Alloys company.

**1982 –** Kloster Speedsteel is founded in Sweden by merging the high-speed steel divisions of Üddeholm and Fagersta.

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

**1990 –** ERAMET acquires Commentrienne des Aciers Fins Vanadium Alloys, the world's third-largest producer of high-speed steels.

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

**1992 –** ERAMET founds Erasteel, bringing together Commentrienne and Kloster Speedsteel; industrial reorganisation and commercial integration.

#### HISTORY OF AUBERT & DUVAL

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

**1920/1939 –** The development of special steels allowed the company to take off. Plants opened at Les Ancizes and Gennevilliers. Aubert & Duval enjoyed its share of the manufacturing boom in automobiles (engines, gearboxes) and in aircraft engines, increasingly containing special steels.

**1945/1960 –** The Group positioned itself in cutting edge sectors, the development of which played an important role in the post-war 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 weathered 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 was transformed into a holding company of the same name, with the founding of a wholly owned operating company, Aciéries Aubert & Duval.

**1987 –** Stake taken in Special Metals Corporation (SMC).

**1989 –** Aubert & Duval holding company was renamed S.I.M.A.

**1991 –** The Aciéries Aubert & Duval operating company was renamed Aubert & Duval.

**1994 –** Agreement by S.I.M.A. and Usinor to contribute assets for the founding of an intermediate holding company: CIRAM, 55% held by S.I.M.A. and 45% by Usinor, is a group of five complementary companies: Aubert & Duval, Fortech, Tecphy, Interforge (94%) and Dembiermont.

**1997 –** Dilution of S.I.M.A.'s stake in SMC from 48% to 38.5% following SMC's IPO on the NASDAQ *via* a capital increase. Usinor sold 40% of CIRAM's capital to S.I.M.A., which thereafter held 95%. FISID, the holding company for Tecphy and Fortech, was renamed HTM.

**1999 –** S.I.M.A.'s businesses were incorporated into the ERAMET Group, in which the shareholders of S.I.M.A. became the largest shareholder. The Alloys Division, comprised of Erasteel and the companies contributed by S.I.M.A., was given its current form and corporate scope.

#### ALLOYS DIVISION HISTORY

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

SMC: The Group's interest in SMC was fully impaired.

**2002 –** Erasteel acquired a 78% controlling stake in Peter Stubs (UK).

**2003 –** A major restructuring programme was announced at Aubert & Duval.

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

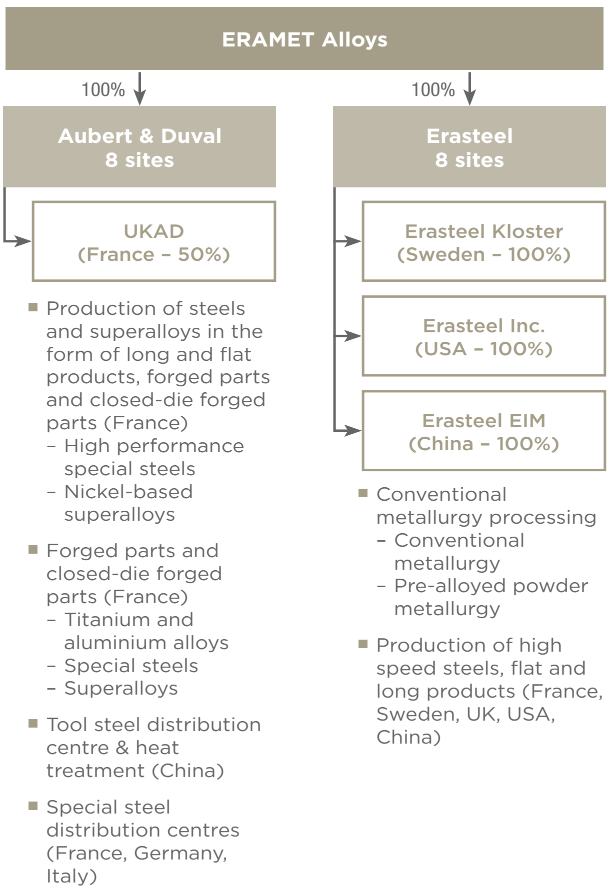
**2006 –** Aubert & Duval – Opening of the new closed die-forging plant in Pamiers (40,000-tonne press).

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

**2007 –** Erasteel – opening of the high-speed steel drawing workshop at Tianjin in China.

**2008 –** Signing of a titanium partnership agreement (UKAD).

## 2.4.5.3. ORGANISATIONAL STRUCTURE AT 31 DECEMBER 2010




## 2.4.5.4. ALLOYS DIVISION PRODUCTION

### ERASTEEL

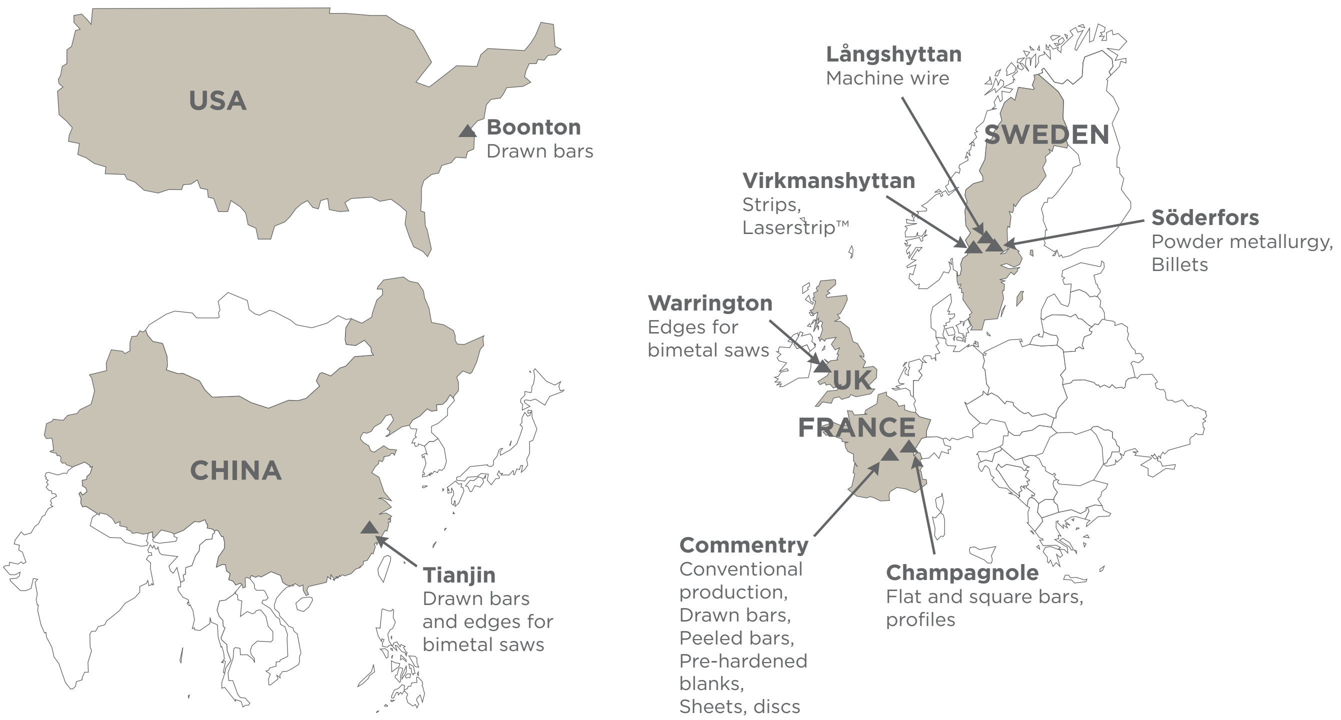
#### Erasteel production

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

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

## Erasteel industrial organisation

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




## AUBERT & DUVAL

Aubert & Duval has consistently pursued a strategy of focusing on speciality products that are technically advanced and intended for customers seeking high repeatability and reliability as touchstones 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.

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

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

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

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

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

The sector has the following equipment:

- closed die-forging presses from 4.5 kt to 65 kt;
- rams from 1 to 16 tonnes;
- various finishing (grinding), heat treatment, facilities for non-destructive testing and machining (lathes, milling machines).

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

#### The Interforge press

Interforge, located in Issoire, was founded in the 1970s around a 65,000-tonne press that is the most powerful in the western world. Interforge carries out subcontracted closed die-forging solely for its shareholders and in proportion to their shareholding (namely 94% for Aubert & Duval and 6% for Snecma).

The press is a key strategic advantage, as it positions the Aubert & Duval group favourably in comparison to 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 tonnes. Only three western producers apart from Aubert & Duval have presses with capacities over 30,000 tonnes;
- Two 75,000-tonne presses exist in Russia (aluminium producer Rusal and titanium producer VSMPO).

### The Airforge press

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

### Closed die-forging markets

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

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

Aubert & Duval uses CAD software in combination with simulation software to optimise the characteristics and costs of parts in direct coordination with the customer. This considerably shortens research, development and production cycles.

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

- an innovative research & development policy for its 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 for processes: closed die-forging to near-final dimensions to optimise material use, and high-speed machining;
- optimisation of industrial performance, in terms of production costs, product quality and service reliability (specialisation of production plants, launch of Lean Manufacturing).

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

This new 40,000-tonne 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 positions it favourably to meet the ever more complex requirements of its customers.

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

### Closed die-forging competitors

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

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

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

## Aubert & Duval's other business sectors

Industrial assets for other sectors include:

- arc furnaces of up to 60 tonnes, combined with ladle metallurgy tools (ladle, AOD or VOD furnaces);
- VIM furnaces of up to 10 tonnes for vacuum alloy production;
- powder metallurgy production units;
- vacuum or slag remelting furnaces with capacity up to 30 tonnes;
- Rolling Mill trains for making long products with diameters of 5.5 mm-200 mm;
- forging presses and machines with forces of up to 4,500 tonnes;
- machining facilities (for milling, turning, reaming or drilling);
- heat treatment equipment, accommodating parts of up to 50 tonnes or 20 metres in length, as well as surface treatment equipment (case hardening or nitriding);
- non-destructive testing equipment (sweating, ultrasound, X-ray, magnetic particle inspection, etc.).

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

### Long products sector

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

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

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

### Tooling sector

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

Aubert & Duval is specifically positioned up-range, providing a high technical-consulting content. Aubert & Duval also plans to develop this business geographically by strengthening its distribution side, particularly in China, with the tool steels distribution centre in Wuxi, commissioned in early 2006.

### Individual forged parts and specialities sector

This area combines various related activities calling for highly specific expertise:

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

## 2.4.5.5. MARKETING POLICY AND PRODUCTS

### ERASTEEL'S MARKETING POLICY AND PRODUCTS

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

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

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

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

Special-order single-part tooling (as is 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 is a key requirement in this business segment, starting with part design in cooperation with the major buyers' research departments; Aubert & Duval's sales engineers work closely with those departments.

## 2.4.5.6. ALLOYS DIVISION RESEARCH AND DEVELOPMENT

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

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

## 2.4.5.7. ALLOYS DIVISION'S RETURN ON CAPITAL EMPLOYED (ROCE)

ROCE: Current operating profit (loss) restated for provisions or reversals on fair-value tests/capital employed at 31 December of year y-1 (consolidated equity capital plus financial debt, plus provisions for major disputes, redundancy plans and restructuring, less non-current financial assets).

### Alloys ROCE

| % | 2006 * | 2007 * | 2008 * | 2009 * | 2010 * |
|---|---|---|---|---|---|
| Alloys | 9 | 10.8 | 13 | (14) | 7 |

* *IFRS.*

# 2.5. ORGANISATIONAL STRUCTURE OF ERAMET SA/ ERAMET HOLDING COMPANY

ERAMET SA is the consolidating parent company, grouping together operationally two main functions:

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

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

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

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

At consolidated level, the ERAMET Holding section thus encompasses the holding-company role for ERAMET SA and its consolidated subsidiaries (Metal Securities, Metal Currencies and ERAS).

# 2.6. DIVISIONS' ACTIVITY IN 2010

## 2.6.1. The Nickel Division in 2010

### 2.6.1.1. KEY FIGURES

| *(to IFRS, in millions of euros)* | 2010 | 2009 | 2008 |
|---|---|---|---|
| Sales | **965** | 655 | 897 |
| Current operating profit (loss) | **194** | (62) | 169 |
| Net cash generated by operating activities | **176** | 104 | 165 |
| Capital employed | **794** | 693 | 896 |
| Industrial capital expenditure | **124** | 107 | 189 |
| Average workforce | **3,022** | 3,106 | 3,057 |

### 2.6.1.2. COMMENTS

The strong growth in nickel prices drove a 47% increase in the sales of ERAMET Nickel in 2010 compared with 2009, to €965 million.

Current operating profit in 2010 came to €194 million.

World production of stainless steel, the main market for nickel, rose 21% in 2010 compared with 2009, to reach a new record level exceeding that of 2007. the increase was 20% in China and 22% outside China.

The world nickel markets suffered a slight supply deficit, supporting LME nickel prices, which increased 48% on average from the very low level in 2009, to US$9.89/lb. LME nickel prices at the year-end exceeded US$11/lb.

Metallurgy production at the Doniambo plant came to 53,700 tonnes in 2010.

At end 2010, implementation of the SLN competitiveness improvement plan was in line with targets set in 2009. This target was a reduction in the cash cost of nickel of US$1/lb by 2012 compared with 2008 prices, on constant economic conditions. 50% of this target for 2012 was already reached at end 2010.

## 2.6.2. The Manganese Division in 2010

### 2.6.2.1. KEY FIGURES

| *(to IFRS, in millions of euros)* | 2010 | 2009 | 2008 |
|---|---|---|---|
| Sales | **1,858** | 1,289 | 2,348 |
| Current operating profit (loss) | **548** | (27) | 1,088 |
| Net cash generated by operating activities | **562** | (28) | 895 |
| Capital employed | **1,069** | 1,117 | 1,042 |
| Industrial capital expenditure | **130** | 110 | 145 |
| Average workforce | **6,433** | 6,604 | 6,723 |

### 2.6.2.2. COMMENTS

Thanks to the strong growth in prices and in sales volumes of manganese ore and alloys, ERAMET Manganèse sales grew 44% in 2010 compared with 2009, to €1,858 million.

The current operating profit came to €548 million.

World production of carbon steels, the main market for manganese, rose 16% in 2010 compared with 2009, to 1.4 bn tonnes, distinctly above the level in 2008. Production growth in China was 11%, despite the Chinese government restrictions imposed in the closing months of the year. Steel production outside China rose 22%, while not quite reaching the level in 2008.

ERAMET Manganèse reacted promptly to the upturn in demand by increasing its output of manganese ore and alloys in 2010, recapturing the levels of 2008.

ERAMET Manganèse's deliveries of manganese alloys increased 7% in 2010 compared with 2009. External deliveries of manganese ore and sinter rose 31% over the same period.

Spot prices CIF to China (source: CRU) for manganese ore rose on average by 38% in 2010 to an average US$7.3/dmtu, closing the year in the neighbourhood of US$6/dmtu.

Spot prices for manganese alloys (source: CRU) groups and 32% in 2010 compared with 2009.

## 2.6.3. The Alloys Division in 2010

### 2.6.3.1. KEY FIGURES

| *(to IFRS, in millions of euros)* | 2010 | 2009 | 2008 |
|---|---|---|---|
| Sales | **764** | 750 | 1,102 |
| Current operating profit (loss) | **29** | (49) | 86 |
| Net cash generated by operating activities | **43** | 93 | 90 |
| Capital employed | **647** | 578 | 709 |
| Industrial capital expenditure | **69** | 67 | 83 |
| Average workforce | **4,566** | 4,618 | 4,797 |

### 2.3.6.2. COMMENTS

ERAMET Alliages sales increased slightly in 2010 compared with 2009, to €764 million. The recovery became more marked in the 4th quarter of 2010, with ERAMET Alliages sales increased 21% compared with the 4th quarter of 2009. The tooling sector rebounded from the very low levels reached in 2009, without recovering to pre-crisis levels, while aeronautics orders significantly increased.

ERAMET Alliages continued to deploy the programmes for the sustainable enhancement of its profitability, such as reducing fixed costs, particularly by restructuring of certain sites, control of working capital requirement and refocusing growth on higher-value-added sectors.

In 2010, ERAMET Alliages signed several major long-term contracts in Aeronautics and energy.

The ERAMET Alliages current operating profit (loss) made a strong recovery from a current operating loss of €49 million in 2009 to a current operating profit of €29 million in 2010, of which €24 million was earned in the 2nd half-year of 2010.

# 2.7. PRODUCTION SITES, PLANT AND EQUIPMENT

Generally speaking, the Group owns its production plant and the equipment therein. Some large equipment items are finance-leased (the 40,000-tonne press in the Alloys Division, the Tiébaghi washing unit and the mining equipment in the Nickel Division) and are restated in the consolidated financial statements.

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

| *(in millions of euros)* | Gross value | % | Net value | % |
|---|---|---|---|---|
| Société Le Nickel-SLN (New Caledonia) | 1,523 | 34.91 | 677 | 35.58 |
| Other | 115 | | 35 | |
| **Nickel Division** | **1,638** | **37.54** | **712** | **37.41** |
| Comilog S.A. (Gabon) | 446 | 10.22 | 246 | 12.93 |
| ERAMET Norway & ERAMET Norway Kvinesdal (Norway) | 337 | 7.72 | 146 | 7.67 |
| ERAMET Marietta (USA) | 124 | 2.84 | 46 | 2.43 |
| GCMC (USA) | 118 | 2.70 | 68 | 3.57 |
| Other | 609 | | 252 | |
| **Manganese Division** | **1,634** | **37.45** | **758** | **39.83** |
| Aubert & Duval (France) | 576 | 13.20 | 257 | 13.50 |
| Airforge (France) | 110 | 2.52 | 84 | 4.41 |
| Erasteel Kloster AB (Sweden) | 136 | 3.12 | 34 | 1.79 |
| Erasteel Commentry (France) | 102 | 2.34 | 12 | 0.63 |
| Other | 144 | | 37 | |
| **Alloys Division** | **1,068** | **24.48** | **424** | **22.28** |
| **Holding company** | **23** | | **9** | |
| **Total** | **4,363** | | **1,903** | |

Leased machinery & equipment (excluding finance leasing) is relatively insignificant (it represents an annual expense of some €45 million). The main leases are as follows:

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

# 2.8. RESEARCH AND DEVELOPMENT/RESERVES AND RESOURCES

## 2.8.1. Research and development: an organisational structure in keeping with Group ambitions, with steadily-expanding activity

1) This organisation is based on:

- a dedicated research centre (a wholly-owned subsidiary of ERAMET since 2003) based in Trappes, which changed its name to ERAMET Research in 2008. The centre employs some 132 persons, including 107 researchers, engineers and technicians. This activity earned €16.5 million, 27% up on 2009, and approximately doubled from 2006;
- some 150 additional divisional staff deal with more specific areas, such as products, modelling of certain special processes, coordination of industrial tests and, in particular, the critical final industrialisation phases of research projects.

These significant resources account for between 1% and 2% of sales by the Divisions. In 2010, ERAMET created a joint Department for Research, Innovation, Engineering and Purchasing in order to regroup all progresses in these four key activity sectors.

Since 2008, ERAMET has been steadily stepping up its research & development resources in order to meet the needs of its industrial clients, improve its competitiveness, offer new services and identify new development opportunities. Potential environmental impact is a constant concern when developing new processes. The reduction and quality of emissions are factors governing the selection of a new process.

For ERAMET's mining, metallurgical and chemical businesses, the effectiveness of the research is a critical advantage. Designed to meet or even work ahead of customers' expectations, the research and development programmes enable the Group to strengthen its positions, in even the most competitive markets.

These programmes are implemented within the Divisions or at the ERAMET Research centre. To ensure that their results are wholly relevant, the ERAMET Research's teams work in close collaboration with those responsible for development at the various units, who in turn are in direct contact with the operational teams. This makes for considerable efficiency along the entire chain from defining programmes to introducing innovations, whether involving products, processes themselves or productivity.

The ERAMET Group's R&D is enriched by continuous contact with the academic world and by partnerships with research institutes and industrial firms. In France, ERAMET has standing partnerships with the Paris advanced learning institutes Ecole des Mines and Ecole Centrale, as well as more occasional partnership ventures with the Geology University at Nancy or that city's Mining Institute. AREVA and rhodia also partner the Group in developing processes for extraction of pyrochlores, particularly from the Mabounié deposit. ERAMET also collaborates with AREVA, Technip, BRGM, Ifremer and MEEDDM in prospection studies on marine mineral resources. Abroad, the Group has entered into several research partnerships, particularly with the Trondheim University in Norway, the GTK public research centre in Finland, the KT – Royal Institute of Technology in Sweden and the semi-public Mefos research centre, the South African mineral and metallurgical research institute, Mintek, and also the Australian ANSTO and CSIRO institutes (equivalent to the French CEA atomic energy commission and CNRS national scientific research council, respectively). This year, Aubert & Duval entered into a partnership with the University of Strathclyde in Scotland, to take part in the construction of a research and development centre on the forming and forging of parts for the aerospace industry.

2) The flagship project in the Nickel Division is the continued development of the hydrometallurgical treatment process for nickel oxide ores. For reference, this innovative process was developed between 2005 and 2007, backed by extensive experience in processes for extracting and purifying various metals and the cutting-edge expertise of the teams at ERAMET Research. This process makes it possible to handle mixtures of low-grade saprolites and laterites characteristic of ores from both Weda Bay in Indonesia and the new deposits in New Caledonia. The crushed ore is corroded with sulphuric acid at atmospheric pressure and at temperatures below 100°C. The dissolved nickel and cobalt are separated and the manganese is concentrated separately and isolated. This process consumes no fossil energy and its liquid effluent satisfies the most stringent environmental standards. Efforts continued in 2010 on an intensive programme of hydrometallurgy process pilot studies. In all, the programme involved a total of 12 weeks of pilot studies, aimed at improving process reliability over a representative period. These studies identified ways of improving project returns in the early start-up years while factoring-in environmental concerns.

In December 2007, ERAMET Research began a new phase in the pilot production of ferronickel in New Caledonia with a new, larger pilot furnace, the perfect tool for meeting the challenges of developing ore chemistry in New Caledonia. This capacity increase was undertaken to improve safety conditions when operating this larger furnace and in response to the need for a new installation to provide for low-impedance processes in the Manganese Division (direct reduction project). In 2010, ERAMET Research achieved stable reproduction at pilot scale of all the chemical, heat and electrical phenomena present in industrial furnaces. This gives ERAMET a suitable tool with which to examine ways of adapting the current process to changes in the chemical composition of New Caledonian ore.

3) ERAMET Research worked hard in 2009 on a project to increase direct reduction in the ferromanganese smelting furnaces. This was the most effective means available for reducing the specific energy consumption of the process. It featured the design of a brand-new pilot furnace tailored to process requirements, and five times larger than the existing furnaces. This furnace enabled pyrometallurgical phenomena to be reproduced and studied. In 2010, seven weeks' pilot production yielded exceptional results with potential for energy gains equivalent to almost 25% compared with current standard industrial performance. The next stage will be to identify the parameters that drive this performance in order to transpose it on an industrial scale.

   ERAMET Research was also involved in various developments of the process for producing electrolytic manganese metal, with the aim of reducing both the consumption of reagents that are not readily available in Gabon and the environmental impact of the process. The first industrial-scale pilot run (performed in China) validated the use of reduced ore instead of ammonia, thus eliminating the inevitability of discharging this harmful reagent in aqueous effluent. In a parallel development, the electrolysis hall and cells were redesigned to adapt the electrolytic process to the Group's health and safety standards (eliminating the manual moving of the cathodes practised in China). It is also designed to make the hall environment healthier by capturing the stray ammonia released by the cathode. The first prototype industrial cell operated for two months. It will be further tested for full prototype validation.

4) In the Alloys Division, the Aubert & Duval and Erasteel R&D departments continued to create new products and to improve production process control in order to reduce costs, improve the robustness of process components and reduce production-process imponderables. The year 2010 featured the creation of a new research centre in Sweden, PEARL, dedicated to powder metallurgy, with gearing of the product to the customer as a key concept.

   A majority of resources is devoted to digital simulation. The first stage in simulating new alloy grades, solidification structures and metallurgical transformation ranges identifies the heat treatment and expected mechanical characteristics. These ideas are then verified by experimental casting and physico-chemical analyses. Successive iterations of this approach from simulation to testing lead to the development of new industrial alloys and new parts.

   These innovations are achieved thanks to the close coordination between specialists and researchers, occasionally involving some customers, to better apprehend the value in use of the final applications. They are usually intended for strategic industries with customers such as Airbus, EADS or Snecma. New parts recently developed using this approach include the first closed die-forged part in stainless steel for landing gear, or the closed die-forged large fishplates for the Airbus A330 wings made of the new Aluminium-Lithium 2050 alloy. ERAMET has also improved the cutting performance of some of its tooling steels through close cooperation with the customers concerned. Diversification is continuing outside high-speed steels with the development of various powder alloys (with a base of Fe, Ni, Co, etc.). This is the fruit of a joint approach to both processes (gas atomisation, hot isostatic compacting, etc.) and products, and of synergy between Erasteel and A&D:

- development of bimetallic parts obtained by hot isostatic compacting of powders (for the energy or transportation markets);
- the study of a new atomisation process to obtain finer powders.

5) Stepping beyond the Group's current business lines, ERAMET is developing processes in line with its diversification strategy. In partnership with AREVA, and in collaboration with Rhodia and several international research laboratories, ERAMET is developing a new process for the treatment of pyrochlores, with particular potential for application to the world-class polymetallic deposit at Mabounié in Gabon, containing sizeable resources of rare-earth metals, niobium, tantalum and uranium. The original hydrometallurgy process technology identified in 2008-2009 for developing all the metals present in the ore was confirmed this year in the laboratory. A dedicated team of 8 engineers and 7 technicians was set up at ERAMET Research and a new laboratory constructed to cater for the specific characteristics of this ore. The team has been at work in these new facilities since 1 November 2010.

   Lastly, ERAMET proved its worth as a reliable partner to the Bolloré Group in a joint venture to produce lithium for electric-vehicle batteries among other purposes, using the early findings of ERAMET Research. 2010 Saw the start-up of a pilot evaporation plant at the Salinas Grandes salt flats in Argentina and the first pilot run of the lithium purification process in December at Trappes.

6) Thanks to its R&D, the Group is deploying its strategy on a self-supporting basis that factors-in environmental concerns.

   ERAMET specialises in mining alloy metals essential to the steel industry and is an up-range metallurgy industrialist supplying strategic industrial sectors such as aerospace or defence. The Group is strategically positioned and is reinforcing its positions throughout the value chain for these metals from their extraction to their recycling, as well as seeking to diversify its portfolio to other alloy metals and to special non-steel metals, while retaining its concern for preserving the environment. Satisfying its ambitious strategy entails constantly facing technological challenges, and ERAMET's R&D resources are mobilised to meet them.

**Hydrometallurgy is accordingly supporting both ore extraction and recycling.**

The worldwide fall observed in the metal content of mineral ores calls for process improvements and increased recourse to hydrometallurgy. Waste recycling to recover and separate the small quantities of metal present also makes use of hydrometallurgy processes. ERAMET's several decades of experience in hydrometallurgy (particularly for nickel and manganese) make it a unique centre of hydrometallurgy skills. This skills centre provides essential drive to development with, for example, the Weda Bay Nickel project, or again the development of the process for developing the Mabounié deposit and the development of the Lithium project in partnership with Bolloré, both of which are lines of diversification for ERAMET.

**Recycling is critical to ERAMET's development strategy, and is the focus of numerous research programmes.**

ERAMET is expanding its recycling activities in various fields, from recovery and separation of metal present in waste to the reclamation of metal waste for inclusion in production processes. As an example, ERAMET Research recently developed a pyrometallurgy process for salvaging scale (metal waste from forging). This process, industrialised at Söderfors in Sweden, recovers valuable metals in the form of an alloy used in steel production by Erasteel. Other projects are being developed or are under study, such as hydrometallurgy recycling of rhenium, nickel and cobalt contained in superalloy machining waste at our Eurotungstène subsidiary's Grenoble facility. At the Sandouville plant producing metallic nickel, research has for several decades enabled nickel- or cobalt-bearing waste to be recycled and returned to industrial use as an adjunct to the matte supplied by Société Le Nickel-SLN.

**Sustainable development is at the heart of ERAMET's strategy, and a watchword for its R&D policy.**

Environmental protection is a significant concern in research and a structuring force for development programmes. As an example of this, environmental preservation played a major role in structuring in its early stages the ERAMET hydrometallurgy process for nickel oxide ores, and stands out as a novel feature of this process. All environmental considerations relating to the process were taken into account starting with the bibliographical studies and laboratory tests.

Waste reduction and quality are now key lines of approach to selecting a new process. A major concern in optimising our own metallurgy processes is energy saving, so reducing the carbon footprint of products derived from these processes; this is the case for research into direct ferromanganese reduction or ferronickel production at Société Le Nickel-SLN.

#### Conclusion

The ERAMET Group's R&D is based on an original organisational approach involving close collaboration among researchers, engineers and operational staff with regular consultation of customers; past experience has proved the worth of this approach. It remains established as indispensable to driving the Group's strategy of sustainable, diversified growth in an industry with increasingly stringent technical requirements.

## 2.8.2. Mineral resources and reserves

### 2.8.2.1. OVERVIEW

#### LOCATION

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

In New Caledonia, Société Le Nickel-SLN mines opencast 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. mines opencast a rich tabular manganese deposit, located under thin caprock and formed by superficial weathering of volcano-sedimentary rocks.

In Indonesia, the Weda Bay Nickel project study is under way.

#### LEGAL CLAIMS

The reserves and resources are embodied in mining-claim instruments over which the Group possesses long-term rights: these mainly consist of perpetual concessions foreshortened to the expiry date of 31 December 2048 (Art. 7 of the New Caledonian *Loi du Pays* Act of 16 April 2009) and of rights conceded for a period of 75 years renewable in successive 25-year periods in New Caledonia, a 75-year concession in Gabon and a Contract of Work for a renewable 30-year period in Indonesia. The carrying amount of reserves is recognised at historical cost for purchased claims, with no measurement of granted concessions. The balance sheet amount does not necessarily reflect market value.

#### ESTIMATES

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

### Basis of estimates

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

### Estimation methodology

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

As concerns Société Le Nickel-SLN (saprolites for use at the Doniambo plant), Pt Weda Bay Nickel (laterites and saprolites) and Comilog S.A. (manganese ore), an external audit has certified that the resources and reserves were evaluated in a satisfactory manner and in accordance with the JORC code recommendations.

### Mineral resources

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

A drilling and/or intercept is considered positive if:

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

The mass defined by the drillings selected on the foregoing 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. The nickel or manganese tonnages given correspond to the quantity of metal present in the ores at the outlet point to the mining units when shipped to metallurgical or chemical processing plant. The mining allowances for dilution and losses, and those relating to the ore dressing, are established on the basis of mining summaries comparing production to estimates of volumes already extracted. Recoverable resources are included in mineral resources.

### Exploration results

Exploration results are given on the same basis as resources.

### Reserves

Reserve estimates are based on medium to long-term economic conditions (prices of fuel oil, coal, coke, electricity, metal prices and exchange rates, etc.), commercial constraints (quality, customers, etc.), environmental constraints (permits, mining limits, etc.) and constraints on current and foreseeable technical mining and treatment processes. Reserves are estimated based on a complete mining project. No assurance can be given that the whole of the published reserves will be recovered, since market fluctuations and technical developments may affect the economic viability of recovering certain deposits or parts of deposits.

Reserves are included in mineral resources.

### Presentation of estimates

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

## DEFINITIONS

### Definitions of resources

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

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

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

### Definitions of reserves

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

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

### EXPLORATION RESULTS

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

## 2.8.2.2. COMILOG S.A. RESERVES AND RESOURCES

### MINERAL RESOURCES

The table below sets out the figures for the mineral resources of Comilog S.A. on 1 January 2009. The Bangombé plateau, which is currently mined, has been re-estimated. The resources estimate for end 2010 includes the new drilling data, but the main change from the end-2009 figures concerns the granulometry cut-off grade:

- rock ore is now estimated on the basis of the +5 mm of fraction of the drilled samples (as against the +10 mm fraction in 2009), and this is closer to the true cut-off grade at the washing unit;
- fines are now estimated on the basis of the 2-5 mm fraction of drilling samples, as against the 2-10 mm fraction in 2009);
- the exploratory drilling data from the campaigns conducted on the Okouma deposit (2008-2010) are taken into account.

Consequently, the breakdown of mineral resources between rock ore and fines has changed compared with the previous published data.

The figures for resources at 1 January 2011 are based on the following parameters:

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

### MINERAL RESOURCES OF MANGANESE ROCK ORE AND FINES AT 1 JANUARY 2011

| | Measured | | | Indicated | | | Inferred | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Deposit | kt | % Mn | Mdmtu | kt | % Mn | Mdmtu | kt | % Mn | Mdmtu | kt | % Mn | Mdmtu |
| **Rock ore > 5 mm** | | | | | | | | | | | | |
| Bangombé | 47,100 | 45.2 | 2,130 | 27,600 | 45.9 | 1,270 | 2,100 | 42.0 | 90 | 76,800 | 45.4 | 3,490 |
| Okouma | 28,900 | 48.3 | 1,390 | 52,400 | 46.3 | 2,430 | | | | 81,300 | 47.0 | 3,820 |
| Bafoula | | | | | | | 23,000 | 34.0 | 780 | 23,000 | 34.0 | 780 |
| Massengo | | | | | | | 12,000 | 40.0 | 480 | 12,000 | 40.0 | 480 |
| **Total** | **76,000** | **46.4** | **3,520** | **80,000** | **46.2** | **3,700** | **37,100** | **36.4** | **1,350** | **193,100** | **44.4** | **8,570** |
| **Fines 2-5 mm** | | | | | | | | | | | | |
| Bangombé | 14,900 | 41.6 | 620 | 10,000 | 43.1 | 430 | 700 | 42.0 | 30 | 25,600 | 42.2 | 1,080 |
| Okouma | 9,300 | 45.3 | 420 | 17,400 | 43.5 | 760 | | | | 26,700 | 44.1 | 1,180 |
| Moulili | 4,400 | 45.6 | 200 | | | | | | | 4,400 | 45.6 | 200 |
| Bafoula | | | | | | | 15,000 | 32.4 | 490 | 15,000 | 32.4 | 490 |
| Massengo | | | | | | | 7,900 | 38.1 | 300 | 7,900 | 38.1 | 300 |
| **Total** | **28,600** | **43.4** | **1,240** | **27,400** | **43.4** | **1,190** | **23,600** | **34.6** | **820** | **79,600** | **40.8** | **3,250** |

## RECOVERABLE RESOURCES AND RESERVES

The table below sets out the figures for recoverable resources and reserves in the Bangombé and Okouma plateaux on 1 January 2011.

The end-2010 figures take no account of the mine dump (consisting of surplus fines not previously marketable) of which all the products had been fully exploited. The mine dump ceased to be exploited in 2010.

Exploitation of the upper part of the Moulili deposit started in 2011. However, the whole deposit remains classified under measured and recoverable resources, since mining studies have not been completed on certain lower parts of the deposit.

The figures are based on:

- a 30% manganese (Mn) cut-off grade (on the rock-ore granulometric fraction);
- processing similar to that currently used for the Bangombé Plateau ores, using run-of-mine. The estimate for recoverable resources and reserves takes account the current granulometric cut-off grades, namely: 8-80 mm for rock ore and 1-8 mm for fines;
- commercial specifications amended on 1 January 2009 with the simplification of the product range.

A portion of the ore resources located at the edge of the Bangombé Plateau was converted into recoverable resources. Mining surveys began in 2010 and are continuing in 2011. The aim is to convert these recoverable resources into reserves.

The mining and technical factors enabling mineral resources to be converted into recoverable resources or reserves were adjusted for the effects of a new estimating method and for the 2010 mining assessment.

## MANGANESE ORE RECOVERABLE RESOURCES AND RESERVES AT 1 JANUARY 2011 (DMTU MILLION)

| | | Recoverable resources | | | |
|---|---|---|---|---|---|
| Deposit | Grain size | Measured | Indicated | Inferred | Total |
| Bangombé | | 1,560 | 780 | | 2,340 |
| Okouma | > 8 mm | | 2,710 | | 2,710 |
| Moulili | | | | | |
| Mine dump | | | | | |
| **Total rock ore** | | **1,560** | **3,490** | **0** | **5,050** |
| Bangombé | | 500 | 290 | | 790 |
| Okouma | 1-8 mm | | 1,200 | | 1,200 |
| Moulili | | 170 | | | 170 |
| Mine dump | | | | | |
| **Total fines and sinter** | | **670** | **1,490** | **0** | **2,160** |

| | | Reserves | | | |
|---|---|---|---|---|---|
| Deposit | Grain size | Proven | Probable | Total | 2010 shipments |
| Bangombé | | 1,470 | 150 | 1,620 | |
| Okouma | > 8 mm | | | | |
| Moulili | | | | | |
| Mine dump | | | | | |
| **Total rock ore** | | **1,470** | **150** | **1,620** | **82** |
| Bangombé | | 470 | 50 | 520 | |
| Okouma | 1-8 mm | | | | |
| Moulili | | | | | |
| Mine dump | | | | | |
| **Total fines and sinter** | | **470** | **50** | **520** | **57** |

The reserves are included in recoverable resources.

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.

Similarly, only indicated recoverable resources were calculated for the Okouma deposit.

The production figures indicated in the above table correspond to ore shipments made in 2010.

An external audit was carried out in 2011 by Melabar GeoConsulting, which certified that the resources and reserves estimated by Comilog S.A. were evaluated satisfactorily in accordance with the recommendations of the JORC code.

## 2.8.2.3. SOCIÉTÉ LE NICKEL-SLN'S RESERVES AND RESOURCES

### SAPROLITE RESERVES AND RESOURCES FOR PYROMETALLURGY

#### Mineral resources

The foregoing mineral resources have been grouped together by major geomorphological unit according to the regions defined in the Société Le Nickel-SLN geographical information system. Their equivalents in the breakdown used by the DIMENC New Caledonian government agency are shown in brackets.

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.

For the most part, mineral resources are estimated by modelling 3-D blocks using linear geostatistical methods.

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

These figures were drawn up with:

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

### SAPROLITE MINERAL RESOURCES FOR THE DONIAMBO PYROMETALLURGY PLANT AT 1 JANUARY 2011

| | Measured | | | Indicated | | | Inferred | | |
|---|---|---|---|---|---|---|---|---|---|
| SLN region (Dimenc boundaries) | kt | % Ni | kt Ni | kt | % Ni | kt Ni | kt | % Ni | kt Ni |
| Borindi (Kombwi N'Goye) | 527 | 2.84 | 15 | 1,408 | 2.84 | 40 | 2,803 | 2.71 | 76 |
| Boulinda (Kopéto Boulinda) | | | | | | | 858 | 2.60 | 22 |
| Kaala (Kaala) | 733 | 2.79 | 21 | 2,438 | 2.70 | 66 | 837 | 2.67 | 22 |
| Kopéto (Kopéto Boulinda) | 6,467 | 2.26 | 146 | 9,768 | 2.28 | 223 | 20,582 | 2.12 | 437 |
| Kouaoua (Kouaoua) | 2,650 | 2.46 | 65 | 7,566 | 2.58 | 195 | 6,043 | 2.58 | 156 |
| Me Aiu Baie Laugier Mara (Boakaine) | | | | | | | 1,944 | 2.59 | 50 |
| Moneo (Moneo North and Centre) | | | | | | | 8,529 | 2.57 | 219 |
| Poro Houailou Mere (Poro) | 1,925 | 2.83 | 55 | 242 | 2.80 | 7 | 2,458 | 2.63 | 65 |
| Poum Arama (Poum) | 150 | 2.53 | 4 | 11,551 | 2.64 | 305 | 2,276 | 2.63 | 60 |
| Poya Me Maoya (Me Maoya) | 227 | 2.63 | 6 | 938 | 2.63 | 25 | 598 | 3.01 | 18 |
| Tchingou (Tchingou) | | | | | | | 1,750 | 3.34 | 59 |
| Tene Me Adeo (Me Adeo) | | | | | | | 131 | 3.74 | 5 |
| Thio Camp des Sapins (Thio + Ouenghi) | 148 | 2.80 | 4 | 1,155 | 2.94 | 34 | 3,041 | 2.70 | 82 |
| Thio Nakety (Dothio+Nakety) | 3,816 | 2.70 | 103 | 5,806 | 2.66 | 155 | 3,160 | 2.69 | 85 |
| Thio Rive Droite Meh Neumenie (Thio) | | | | | | | 20 | 3.33 | 1 |
| Tia Plaine des Gaïacs (Tia Pl. des Gaïacs) | | | | | | | 1,753 | 2.57 | 45 |
| Tiébaghi (Tiébaghi) | 10,029 | 2.42 | 243 | 25,642 | 2.31 | 592 | 2,652 | 2.30 | 61 |
| Tontouta Humbold (Tontouta) | | | | 1,613 | 2.56 | 41 | 479 | 2.52 | 12 |
| Tontouta Ouenghi (Tontouta) | 624 | 2.60 | 16 | 993 | 2.65 | 26 | 1,813 | 2.51 | 46 |
| **Total** | **27,296** | **2.48** | **677** | **69,121** | **2.47** | **1,708** | **61,728** | **2.46** | **1,520** |

Apart from differences resulting from exploitation of masses in progress, the major differences observed from figures published at 1 January 2010 relate to the following areas:

- Kouaoua: increase in measured resources following the sinking of planning boreholes, and the discovery of inferred resources by prospecting areas located on the right bank of the Kouaoua;
- Thio: discovery of new resources following reconnaissance work on the left bank of Tontou – Rive Gauche Tontou – and, on the Plateau under exploitation, increased resources in the deposits with high recovery rates;
- Tontouta: increase in indicated mineral resources and inferred resources following reconnaissance work under way since 2007;
- Tiébaghi: modification of the cut-off grade for the Alpha deposit (1.7% Ni) with the start to development of products included in the 1.7-2.2% Ni range in 2010;
- Kopéto: increase in resources by reconnaissance of deposits outlying the massif.

### Exploration results

The exploration results also correspond to the weathered saprolites phase. At 1 January 2011, they are evaluated at 504 kt Ni (18.1 Mt at 2.78% Ni). The difference compared with 2010 (+84 kt Ni) is explained by the prescription work conducted in the Tontouta Valley, the Kouaoua right bank and especially, the Tontou left bank (Thio – Camp des Sapins).

### Recoverable resources and reserves

The table below sets out the figures for recoverable saprolite reserves and resources for the Doniambo pyrometallurgy plant on 1 January 2010 (figures for 2010). The data are in thousands of tonnes 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 Société Le Nickel-SLN and/or subcontracted sites: approximately 80 mm screening with or without recovery of part of coarser fractions depending on mineralisation;
- mineralurgical processing in Népoui Kopéto (in existence) and Tiébaghi (in the process of opening);
- mining projects in the case of reserves.

RECOVERABLE RESOURCES AND RESERVES FOR DONIAMBO AT 1 JANUARY 2011

| Reserves included in Resources | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2010 | | | 2009 | | | | 2010 | | | 2009 | | |
| Recoverable resources | Mt | % Ni | kt Ni | Mt | % Ni | kt Ni | Reserves | Mt | % Ni | kt Ni | Mt | % Ni | kt Ni |
| Measured | 19.1 | 2.70 | 517 | 16.2 | 2.65 | 429 | Proven | 13.2 | 2.73 | 362 | 12.0 | 2.69 | 323 |
| Indicated | 45.5 | 2.67 | 1,217 | 46.4 | 2.67 | 1,237 | Probable | 24.1 | 2.76 | 666 | 24.1 | 2.71 | 654 |
| Inferred | 41.0 | 2.58 | 1,058 | 37.3 | 2.58 | 962 | - | | | | | | |
| **Total** | **105.6** | **2.64** | **2,792** | **99.9** | **2.63** | **2,628** | **Total** | **37.3** | **2.75** | **1,028** | **36.1** | **2.71** | **977** |

Recoverable resources and reserves of ore intended for mineralogical processing are estimated as washery concentrate (all for Népoui-Kopéto, 1.8-2.8% Ni range for Tiébaghi Dôme and 2.2-2.8% Ni for Tiébaghi Alpha).

SLN mining production in 2010 amounted to 60.2 kt Ni ('000 tonnes of Nickel). This figure corresponds to the tonnages of nickel contained in the ore transported to the various ports (wharves or mechanical loading). No saprolitic ore was exported in 2010.

Reserves estimated at some 1028 kt Ni at 1 January 2011, compared with the 977 kt Ni of reserves in 2010. This corresponds to a 181% renewal rate for the reserve. The effort expended on planning boreholes and mining projects allowed extension of proven reserves.

The indicated and measured recoverable resources are evaluated at 1,734 kt Ni. The proportion of measured resources increased with the sinking of planning boreholes.

Inferred recoverable resources are estimated to be 1,058 kt Ni. The gain observed over the 2009 figures results from prospections in 2010 and the inclusion of masses in the massifs of the Tontou left bank, Kouaoua right bank and Kopéto.

The renewal rate of saprolite recoverable resources for pyrometallurgy was 372%.

An external audit was carried out in 2008 by Melabar GeoConsulting, which certified that the resources and reserves estimated by Société Le Nickel-SLN were evaluated satisfactorily in accordance with the JORC code recommendations. The next external audit is programmed for end 2011.

SLN constructs its mining and industrial plan on the basis of all its reserves and part of the recoverable resources regarded as economically exploitable but not yet included in any mining project. The sum of reserves and recoverable resources included in the current mining plan is some 2200 kt Ni (of which 1028 kt Ni declared as reserves) at 1 January 2011.

### MINERAL RESOURCES FOR HYDROMETALLURGY

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

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

Furthermore, the study conducted in 2009 on the Tia Plateau (in the Plaine des Gaïacs region) identified an inferred recoverable resource of 190 kt Ni (9.6 Mt at 2.0% Ni) of saprolite and of 80 kt Ni (5.2 Mt at 1.67% Ni+Co) of laterite.

In 2010, the surveys of the Paéoua massif (East Kopéto) also discovered well-weathered, low-grade saprolites that are apparently recoverable using hydrometallurgy processing.

Mineral resources for hydrometallurgy have not been audited to date. They have nevertheless been estimated using the methodology defined to estimate resources intended for the Doniambo plant.

## 2.8.2.4. RESERVES AND RESOURCES OF PT WEDA BAY NICKEL

### MINERAL RESOURCES

The data on mineral resources relate to the tonnages, Ni content and thousands of tonnes of nickel contained in the ore estimated to be in the 1% Ni limonite and saprolite strata, without applying any transformation or enrichment factors. The mineral resources are calculated at the 1% Ni cut-off grade, and are broken down by prospect, distinguishing between lateritic and saprolitic products.

The average dry densities of the limonites are around 0.8-0.9 in the masses in question, and nearly 1 for the earthy saprolites. Rocky saprolitic ores exhibit higher dry densities, with an average value according to mass of around 1.3-1.4. These figures are based on measurements performed in 1999-2001 and 2008-2010.

Given the small proportion of sound dividing rock, the saprolite tonnages and content provided are representative of the saprolitic column as a whole.

Global resources are calculated by 3-D block modelling performed by the Weda Bay Nickel team. Measured and indicated resources are estimated by ordinary kriging, while inferred resources are estimated either by inverse square distance or by ordinary kriging when permitted by variogram quality.

Local resources were estimated for the Bukit Limber Barat deposit by Tenzing PTY LTD, and on the Coastal, Tofu Blowen and Kao Rahaï masses, by an ERAMET team, using multivariate uniform conditioning. Tonnage-content curves have been drawn up from the results obtained, visualising the selectivity effects in the masses concerned.

The figures set out below are derived from local estimate findings for the masses marked with an asterisk, and from global estimates for the other masses.

## Saprolite and limonite mineral resources at 1 January 2011

| | Measured | | | | | Indicated | | | | | Inferred | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Prospects | Mt | % Ni | kt Ni | % Co | kt Co | Mt | % Ni | kt Ni | % Co | kt Co | Mt | % Ni | kt Ni | % Co | kt Co |
| **LIMONITES** | | | | | | | | | | | | | | | |
| Bukit Limber Barat | 14.2 | 1.26 | 178 | 0.19 | 26.9 | 9.4 | 1.23 | 116 | 0.18 | 17.0 | | | | | |
| Bukit Limber Timur | | | | | | 15.4 | 1.22 | 187 | 0.17 | 26.1 | | | | | |
| Coastal Deposits | 7.0 | 1.20 | 84 | 0.20 | 13.9 | 2.0 | 1.21 | 24 | 0.19 | 3.8 | | | | | |
| Tofu Blowen | 11.6 | 1.29 | 150 | 0.15 | 17.3 | 3.8 | 1.25 | 47 | 0.15 | 5.7 | 1.3 | 1.22 | 16 | 0.14 | 1.8 |
| Kao Rahai West | 3.3 | 1.33 | 44 | 0.23 | 7.5 | 2.9 | 1.25 | 36 | 0.21 | 6.1 | 1.3 | 1.23 | 16 | 0.21 | 2.7 |
| Kao Rahai East | | | | | | 3.1 | 1.20 | 37 | 0.23 | 7.1 | 4.8 | 1.14 | 55 | 0.16 | 7.5 |
| Big Kahuna | | | | | | 12.0 | 1.22 | 147 | 0.21 | 25.3 | | | | | |
| Ake Jira | | | | | | 7.2 | 1.14 | 82 | 0.20 | 14.4 | | | | | |
| Pintu | | | | | | 9.2 | 1.23 | 113 | 0.18 | 16.5 | 5.0 | 1.18 | 59 | 0.22 | 11.0 |
| Boki Mekot | | | | | | | | | | | 7.2 | 1.23 | 89 | 0.12 | 8.3 |
| Jiguru | | | | | | | | | | | 1.1 | 1.23 | 14 | 0.16 | 1.8 |
| **Total Limonites** | **36.0** | **1.26** | **455** | **0.18** | **66** | **65.0** | **1.22** | **789** | **0.19** | **122** | **20.7** | **1.20** | **248** | **0.16** | **33** |
| **SAPROLITES** | | | | | | | | | | | | | | | |
| Bukit Limber Barat* | 37.5 | 1.52 | 570 | 0.03 | 11.2 | 26.0 | 1.53 | 398 | 0.03 | 7.8 | | | | | |
| Bukit Limber Timur | | | | | | 53.2 | 1.42 | 756 | 0.03 | 16.0 | | | | | |
| Coastal Deposits* | 21.7 | 1.67 | 363 | 0.04 | 7.8 | 6.1 | 1.63 | 100 | 0.04 | 2.3 | | | | | |
| Tofu Blowen* | 26.6 | 1.86 | 496 | 0.03 | 6.9 | 9.0 | 1.68 | 151 | 0.02 | 2.2 | 5.0 | 1.63 | 82 | 0.02 | 1.1 |
| Kao Rahai West* | 12.9 | 2.05 | 264 | 0.04 | 5.3 | 5.9 | 1.93 | 114 | 0.04 | 2.2 | 3.9 | 1.85 | 73 | 0.04 | 1.6 |
| Kao Rahai East | | | | | | 4.3 | 1.63 | 71 | 0.03 | 1.1 | 8.3 | 1.55 | 129 | 0.03 | 2.7 |
| Big Kahuna | | | | | | 14.2 | 1.54 | 218 | 0.04 | 5.7 | | | | | |
| Ake Jira | | | | | | 14.9 | 1.64 | 244 | 0.04 | 6.0 | | | | | |
| Pintu | | | | | | 13.5 | 1.53 | 206 | 0.03 | 4.0 | 15.9 | 1.59 | 253 | 0.03 | 4.8 |
| Boki Mekot | | | | | | | | | | | 18.7 | 1.63 | 305 | 0.02 | 3.7 |
| Jiguru | | | | | | | | | | | 4.4 | 1.25 | 55 | 0.03 | 1.3 |
| **Total Saprolites** | **98.8** | **1.72** | **1,694** | **0.03** | **31** | **147.1** | **1.53** | **2,257** | **0.03** | **47** | **56.3** | **1.59** | **896** | **0.03** | **15** |
| **Total** | **134.8** | **1.59** | **2,149** | **0.07** | **97** | **212.0** | **1.44** | **3,046** | **0.08** | **169** | **77.0** | **1.49** | **1,144** | **0.06** | **48** |

** Resources estimated by uniform multivariate conditioning.*

At a constant cut-off grade, the measured, indicated and inferred resources were two million two hundred thousand tonnes higher than the estimates made at the time of acquisition in May 2006 (6.3 Mt Ni compared to 4.1 Mt Ni).

## RESERVES

The figures below relate to the saprolite and limonite reserves intended for hydrometallurgical processing.

### PT Weda Bay nickel reserves at 1 January 2011

| | Proven | | | | | Probable | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Mass | Mt | % Ni | kt Ni | % Co | kt Co | Mt | % Ni | kt Ni | % Co | kt Co |
| **LIMONITES** | | | | | | | | | | |
| Bukit Limber Barat (Santa Monica West) | 13.0 | 1.28 | 166 | 0.17 | 21.7 | 5.4 | 1.29 | 70 | 0.16 | 8.7 |
| Bukit Limber Timur (Santa Monica East) | | | | | | 10.3 | 1.25 | 128 | 0.16 | 16.4 |
| Coastal Deposits | 4.4 | 1.18 | 52 | 0.20 | 8.6 | 0.7 | 1.18 | 8 | 0.19 | 1.2 |
| Tofu Blowen | 6.0 | 1.29 | 77 | 0.15 | 9.2 | 10.0 | 1.23 | 122 | 0.15 | 14.5 |
| **Total Limonites** | **23.3** | **1.26** | **295** | **0.17** | **39.5** | **26.3** | **1.25** | **329** | **0.16** | **40.9** |
| **SAPROLITES** | | | | | | | | | | |
| Bukit Limber Barat (Santa Monica West) | 23.1 | 1.60 | 369 | 0.03 | 7.6 | 10.3 | 1.59 | 163 | 0.03 | 3.4 |
| Bukit Limber Timur (Santa Monica East) | | | | | | 20.9 | 1.49 | 311 | 0.04 | 8.8 |
| Coastal Deposits | 19.7 | 1.60 | 315 | 0.05 | 10.0 | 4.7 | 1.57 | 74 | 0.05 | 2.2 |
| Tofu Blowen | 11.6 | 1.97 | 228 | 0.03 | 2.9 | 15.3 | 1.85 | 283 | 0.03 | 4.0 |
| **Total Saprolites** | **54.4** | **1.68** | **912** | **0.04** | **20.5** | **51.2** | **1.62** | **831** | **0.04** | **18.4** |
| **Total** | **77.7** | **1.55** | **1,207** | **0.08** | **60.0** | **77.5** | **1.50** | **1,159** | **0.08** | **59.3** |

The data on reserves correspond to the transformation of resources discussed in the previous paragraph that are in the masses covered by a mining project, with the application of mining factors based on the following criteria:

- 1% Ni Cut-off grade for the Coastal Deposits ores, earthy saprolites and limonites in the Bukit Limber and Tofu Blowen masses.
- 1.4% Ni cut-off grade in the rocky saprolites at Bukit Limber and all the saprolites at Tofu Blowen. The measured resources of these products established at a 1% Ni cut-off grade were converted into proven reserves following non-linear geo-statistical studies measuring the impact on those products of selectivity at 1.4% Ni.
- Mining factors were applied to the tonnages and contents to take account of the technical limits in the exploitation phase in obtaining the selectivity estimated by uniform conditioning. These factors were adjusted for the geometry of the mass and for the estimate method and findings. These factors average 0.98 for Ni content and range from 0.95 to 1 for the ore tonnage.
- The experience gathered from a mining test carried out in 2007 and the strong rain patterns observed at the deposits determined the choice of the geotechnical and environmental constraints currently used. In particular, access issues and management of water drained from the mine resulted in the discarding from the project of zones with a natural incline greater than 30° and the limiting of average pit slope to 35°. The same reasons determined the use of minimum ore thickness as a selection criterion for mineable zones. At this stage of the study, this varies from 3 m to 12 m according to the climatic, geomorphologic or environmental conditions specific to each mass.

## CHANGES IN RESOURCES AND RESERVES IN 2010

Changes observed in resources and reserves between 2009 and 2010 feature an increase in resources by some 7% and in reserves, by over 40%. These changes are chiefly explained by:

- the incorporation of findings from intensive reconnaissance on the Tofu Blowen and Kao Rahai deposits, which have appreciably richer Ni contents than the other C.O.W. ore masses;
- the incorporation of the findings for density measurements performed in 2010 on the Tofu Blowen and Kao Rahai deposits, which exhibited appreciably higher densities than in the other or masses;
- the following of the auditor's recommendations for classifying mineral resources;
- the conversion into reserves of part of the Tofu Blowen resources following the carrying out of a mining project.

## Weda Bay – Changes in mineral resources and reserves at 1 January 2011

Reserves included in Resources

| | 2010 | | | 2009 | | | | 2010 | | | 2009 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Mineral resources | Mt | % Ni | kt Ni | Mt | % Ni | kt Ni | Reserves | Mt | % Ni | kt Ni | Mt | % Ni | kt Ni |
| Measured | 135 | 1.59 | 2,149 | 90 | 1.49 | 1,339 | Proven | 78 | 1.55 | 1,207 | 57 | 1.53 | 871 |
| Indicated | 212 | 1.44 | 3,046 | 216 | 1.45 | 3,124 | Probable | 77 | 1.51 | 1,159 | 55 | 1.45 | 796 |
| Inferred | 77 | 1.49 | 1,144 | 94 | 1.57 | 1,473 | - | | | | | | |
| **Total** | **424** | **1.50** | **6,339** | **400** | **1.48** | **5,936** | **Total** | **155** | **1.53** | **2,366** | **112** | **1.49** | **1,667** |

An external audit was conducted in March 2009 by Melabar GeoConsulting which confirms that the estimation methodology used by Pt Weda Bay Nickel is appropriate to the types of deposit concerned. The resource classification procedure recommended at the audit was implemented in 2009. Consequently, Melabar GeoConsulting has confirmed that the resources are calculated in a satisfactory manner, and that the conversion of resources into reserves duly factors in certain technical constraints controlled thanks to results acquired from an experimental mine, and that the whole proceeding is compliant with the recommendations of the JORC code.

Drilling will continue over the coming years to achieve a closer-set drilling pattern on certain strategic masses; the primary result of this will be to improve confidence levels and resource/reserve classification.

The mining projects reviewed in 2010 will be re-evaluated in 2011 in the banking feasibility phase.

# Risk factors



3

# 3.1. COMMODITY RISK

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

The main Group entities involved are:

- ERAMET, Société Le Nickel-SLN and Aubert & Duval for nickel;
- Société Le Nickel-SLN for fuel oil;
- Aubert & Duval for aluminium;
- Erasteel Kloster AB and Tinfos Jenverk A/S for electricity.

The exposure to manganese is not hedged since there is no organised (over the counter) market in manganese.

Hedges are contracted with horizons of 1 to 4 years, depending on the commodities, and are based on the budget. Only a portion of planned consumption or production is hedged (as an example, for fuel oil, an average 50% and a maximum 80% of the budget is hedged). The Group uses various instruments to hedge and limit its exposure: futures and options.

At 31 December 2010, the fair value of hedges set up for the various commodities breaks down as follows:

- €4 million liability for nickel (€14 million asset at 31 December 2009);
- €5 million asset for fuel oil (€5 million asset at 31 December 2009);
- no impact for aluminium (€2 million asset at 31 December 2009);
- €6 million asset for electricity (€3 million liability at 31 December 2009).

# 3.2. SPECIAL RELATIONSHIPS WITH THE GROUP'S PARTNERS

## 3.2.1. Political risks

Some of the Group's activities are carried on in countries where political developments may lead to regulatory changes. In particular, the Group produces and/or markets its products in non-OECD countries, some of which may be classed as countries with no long-term political or 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.

## 3.2.2. Special relationships with third parties

### 3.2.2.1. SUPPLY AND MARKETING CONTRACTS

The Group has overall control of the contracts relating to the supply and marketing of ore and its by-products where such contracts are entered into with companies it controls (such as the supply and marketing contract between ERAMET and Société Le Nickel-SLN and the supply of Manganese Division plants by Comilog). The other commercial agreements relating to continuing operations do not entail any particular risks or commitments for the Group. Those agreements are mainly for purchases of raw materials (electricity, coke, and special alloys) and freight services (sea and land).

To date, ERAMET has not entered into any material contracts entailing a substantial obligation or undertaking for the Group as a whole, other than those entered into in the normal course of its business.

### 3.2.2.2. NICKEL DIVISION

#### SUPPLY CONTRACT WITH NISSHIN STEEL

Nisshin Steel, a Japanese stainless steel producer, has been a shareholder in Société Le Nickel-SLN since 1991 and currently has a 10% stake. 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 by the Nickel Division. This agreement was renewed in 2001 and 2007 and is designed both to guarantee ferronickel deliveries for several years and to smooth nickel price fluctuations.

#### RELATIONSHIP WITH STCPI AND NEW CALEDONIA

Société Le Nickel-SLN is 56%-owned by ERAMET, with a 34% interest held by Société Territoriale Calédonienne de Participations Industrielles – STCPI. Pursuant to the shareholders' agreement of 13 September 2000, the interest was raised to 34% by resolution of the Shareholders' General Meeting on 23 July 2007. Four out of twelve Board members, plus one observer, represent STCPI on Société Le Nickel-SLN's Board of Directors, while a further two out of fourteen represent STCPI on the ERAMET Board of Directors.

## SOCIÉTÉ LE NICKEL-SLN SHAREHOLDERS' AGREEMENT

Pursuant to the Société Le Nickel-SLN shareholders' agreement of 13 September 2000 between ERAMET and Société Territoriale Calédonienne de Participations Industrielles (STCPI), following on from the agreement of 17 July 2000 between the State, the Provinces of New Caledonia and representatives of the island's main political parties, and following the share swap of 23 July 2007, STCPI holds 34% of the share capital of Société Le Nickel-SLN, in which ERAMET holds a 56% interest and Nisshin Steel a 10% interest.

STCPI is an SAS (French simplified joint-stock corporation) whose sole object is to hold this interest in the share capital of Le Nickel-SLN and an approximately 4% interest in ERAMET's share capital. This interest, initially of 30%, was sold by the French state when ERAMET was privatised. The political, financial and strategic value of that interest lies in its involving local interests with the Group's mining and industrial interests in New Caledonia. The company represents the three New Caledonian Provinces: the Southern Province (with a population of mostly European origin) on one hand and the Northern and Island Provinces (a mainly Melanesian population) on the other hand. It is represented on the Board of Directors of Société Le Nickel-SLN, and has two directors out of the fifteen on the ERAMET Board of Directors. The Board members and observer are selected so as to ensure equal representation of the Southern Province on one hand, and the Northern and Island Provinces on the other.

The Société Le Nickel-SLN shareholders' agreement of 13 September 2000 was extended on 13 July 2010 until 13 July 2011. its terms include:

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

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

Following the meeting of its Board of Directors on 19 November 2009, Société Le Nickel-SLN announced that it was instituting new, modernised corporate-governance measures to further involve New Caledonia, with the creation of a strategy committee, an audit committee and a remuneration committee. STCPI has significant representation on all three committees and chairs the audit committee.

STCPI and ERAMET announced on 13 July 2010 that they had also agreed to discuss adjustments to the shareholders' agreement to be made by 31 December 2011; its guiding principles would remain unchanged, but adjustments would be made to that agreement, designed to take account of industrial, commercial and technological changes arising within SLN and in its environment since the conclusion of the original agreement.

## PRONY AND CREEK PERNOD CONCESSIONS

In January 2009, the Southern Province of New Caledonia awarded to Société Le Nickel-SLN research permits for the Prony Ouest and Pernod deposits. A mining agreement was signed on the same date between Société Le Nickel-SLN and the Southern Province specifying the conditions for developing those deposits.

This project calls for the construction of a hydrometallurgy ore treatment plant and represents annual production capacity of the order of 60,000 tonnes of nickel.

Vale-Inco disputed the validity of the decisions awarding the permits. The permits were annulled by rulings of the New Caledonia Administrative Court on 17 November 2009.

Société Le Nickel-SLN has appealed against these rulings. The project has therefore been suspended while awaiting favourable appeal rulings.

## BACKGROUND TO THE NEW CALEDONIAN ORE RESERVES

The implementation of the Bercy agreements of 1 February 1998 was completed at the end of 2005. The Koniambo massif mining rights were granted to SMSP and those of Poum to Société Le Nickel-SLN. The French State is guarantor of the due execution of the Bercy agreements. ERAMET and Société Le Nickel-SLN will closely monitor the satisfactory conclusion of the matter, ensuring that Falconbridge (acquired by Xstrata of Switzerland) fulfils its commitments and that the transfer of mining rights is duly linked to the construction of a plant in the North of New Caledonia.

## RELATIONSHIP AVEC PT ANTAM AND INDONESIA

The Indonesian company, PT Weda Bay Nickel, as the project and prospection company created to develop the Weda Bay nickel and cobalt project, located on Halmahera island in Indonesia. This company is 90%-owned by Strand Minerals (Indonesia) with the remaining 10% in the hands of an Indonesian public limited-liability and nickel-producing company, PT Antam Tbk (Antam), which specialises in prospection, mining, refining and the distribution of mining products. Antam is represented by one director on the Board of Directors of PT Weda Bay Nickel (out of a total of five directors of whom three are representatives of ERAMET) and also possesses an option to increase its interest to 25%.

PT Weda Bay Nickel carries out its exploration and mining under a Contract of Work with the Indonesian government.

#### RELATIONSHIP WITH MITSUBISHI CORPORATION (WEDA BAY PROJECT)

On 19 February 2009, Mitsubishi Corporation required 33.4% of the share capital in Strand Minerals, which owns 90% of the share capital in the Indonesian company, PT Weda Bay Nickel. ERAMET and Mitsubishi Corporation have combined their skills in order to conduct the studies required to make the final decision to develop the project. Under the shareholders' agreement signed between the parties, Mitsubishi Corporation is represented on the Strand Minerals Board of Directors by a total of six directors, and by one director on the PT Weda Bay Nickel Board of Directors out of a total of five directors.

### 3.2.2.3. MANGANESE DIVISION

#### RELATIONSHIP WITH THE STATE OF GABON

Comilog has had a special relationship with the State of Gabon, which has been a shareholder since 1973 with an interest of just over 25% and represented by four members on the Board of Directors. From the outset, the State has supported Comilog through both tax measures (a mining agreement and special tax agreement to finance the sintering complex) and industrial measures (as Comilog's partner in building the Owendo Port) and more recently by granting a railway concession to Setrag, in which Comilog is the leading partner, alongside other Gabonese shareholders. This relationship, based on trust and the recognition of mutual interests, makes it possible to work together on a constructive basis and to plan for the development of new industrial projects.

For purposes of its project to construct two silicomanganese and metallic-manganese metallurgical units at Moanda in the Upper Ogooué (termed the "Moanda Metallurgy Complex"), Comilog signed two agreements on 7 January 2010 in Libreville with the Gabonese authorities; the first agreement laid down among others the specific legal, tax and customs framework for the project, while the second specified the conditions for securing the future energy supply to the complex. A dedicated financing facility was arranged for implementing the project. One of the conditions for the release of the funds is the issue of a guarantee by ERAMET and the Gabonese Republic, as the reference shareholders; this has already been authorised by ERAMET and the Gabonese part of the guarantee undertaking is pending ratification by its Parliament.

ERAMET signed an agreement with the Gabonese Republic on 20 October 2010, to increase the Gabonese Republic's shareholding in Comilog. Under this agreement, from 2010 to 2015, ERAMET will transfer in stages to the Gabonese Republic an additional interest of up to 10% of Comilog's capital, which would increase the Gabonese Republic's shareholding in Comilog to 35.4%. The first transfer stage involves 3.54% of the share capital; 2.17% of the capital was transferred on 17 December 2010, and the remainder for this stage is to be transferred in 2011.

# 3.3. MINING AND INDUSTRIAL RISKS

## 3.3.1. Risks entailed in evaluating mining reserves and resources

Mining reserves and resources may evolve over time, particularly with changes in the technical and economic assumptions used in mining and (geological data, mining cost factors, mining technology). Accordingly, resource and reserve estimates are revised each year, both quantitatively and qualitatively. Details of the estimates and assumptions used for this purpose are given in Section 2, "Reserves and resources" sub-section in this document.

## 3.3.2. Mining project development risks

In view of the capital-intensiveness and the time they involve, studies for the launch of new mining operations or for the renovation of existing operations are investment decisions which, in addition to full technical feasibility studies, require beforehand the making of financing assumptions and profitability calculations, which are themselves directly influenced by the relevant commodity prices and currency rates, the cost of credit and the type of financing chosen. In periods of slowing demand, some of these decisions may be delayed or cancelled, which may have an impact on a mining operation's profitability.

## 3.3.3. Safety and environmental risks

### 3.3.3.1. INDUSTRIAL ACTIVITY THAT FACTORS IN SUSTAINABLE DEVELOPMENT

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

Given metals' unique capacity for almost indefinite recycling, the Group's business activities naturally dovetail with a sustainable development approach in a global context of scarcity and, accordingly, of the maximum re-use and optimisation of natural resources. Nevertheless, these products, although durable and recyclable, may at some stage in their conversion or use present hazards or risks. The Group therefore faces the challenge of exhaustively identifying all such hazards, preventing and controlling the resulting risks to its sites and the outside environment, and at the same time contributing to the sustainability and development of its business activity.

In addition to its Environmental Charter adopted in 2002, since January 2010, the Group has a Sustainable Development policy.

As regards regulatory compliance, ERAMET has set itself a goal of "zero disputes" as described below. Also reviewed are the various industrial risk issues related to the Group's activities involving the status of polluted sites and soil and the adequate prevention of industrial risks.

### 3.3.3.2. "ZERO DISPUTE" GOAL

The ERAMET Group promotes a policy of strict regulatory compliance and dialogue with the relevant authorities in the event of special operating conditions or temporary difficulties. This is the background against which, in 2007, it set itself the "Zero dispute" goal: aiming for zero formal notices or legal proceedings liable to arise from any breach on the Group's part of the regulatory requirements of operating permits.

Since 2009 the "zero dispute" has been widened to cover all the group's mines and industrial sites. In 2010, its scope was further widened to include both the Valdi (France) sites.

The Group monitors fulfilment of this goal at three levels for all industrial sites:

- **Level 1:** A letter from the authorities conveying a specific request which, if not acted upon, could lead to formal notice to comply with regulatory obligations.
- **Level 2:** Formal notice served by or an official complaint from the supervisory authority relating to the breach on our part of the regulatory obligations and liable to lead to criminal proceedings or a fine.
- **Level 3:** Legal proceedings brought and/or formal notice expired with consequent legal proceedings.

The "Zero dispute" score is lower than in previous years, with two level 3 disputes in 2010 (however settled before end 2010). After a significant number (14) of level 2 disputes in 2009, 7 new formal notices were served in 2010, mainly in France and the USA. On the other hand, 60% of disputes arising in the last five years at levels 2 and 3 were settled.

These disputes remained limited in number and should be set against the large number of operating permits with which the different Group sites are required to comply. A first consolidation reports 136 permits each containing a minimum of some ten parameters to be complied with. 90% of Group sites were unaffected by any dispute in 2010.

ERAMET Is maintaining its vigilance for 2011 and will pursue its zero-dispute goal by providing support and advice to its industrial and mining sites.

On 25 March 2011, four NGOs, a group of residents and a member of parliament lodged a complaint against Comilog and ERAMET in Gabon for alledged environmental damages created by the operation of the Moanda mining site.

Both companies are conducting an in-depth review of these complaints with the help of their counsels and it is too early to appreciate the grounds of these complaints.

### 3.3.3.3. POLLUTED SITES AND SOIL – RESTORATION ACTIONS

The group carefully monitors the management of issues with a potential impact on the soil and subsoil arising from past or continuing operations, both mining and industrial.

In recent years, the Group has developed a policy and expertise in investigating, identifying, monitoring and managing terrains under potential impact from different projects.

Our record can be said to begin with the restoration of land at old industrial sites (Steiner Bronzavia, Aubert & Duval Gennevilliers, Comilog France Boulogne-sur-Mer, etc.), gaining us recognised expertise.

The Group also restored internal landfills at the end of their working life, with the shutting-down and restoration projects followed through to completion (Aubert & Duval Pamiers, Comilog France, GCMC Freeport, etc.) and projects in progress (Erasteel Champagnole, Aubert & Duval Les Ancizes, Erachem Comilog Tertre, etc.), or those under close supervision (ERAMET Marietta, ERAMET Norway Sauda, Comilog France).

In mining areas, major site restoration works are in progress. As examples, in New Caledonia, fundamental actions have been carried out since 2007 in the Poro region, at the halted Si Reis mine at Népoui, besides the major hydraulic improvements to the Kiel mine (Doudou Canal); in all these cases, environmental impacts have been controlled and stabilised, so enabling SLN to undertake reclamation work whenever technically feasible. These programmes account for expenditure of over €2 million annually. This fundamental technical recovery work controls the ground stability and erosion aspects as well as the water runoff. Thus, for New Caledonia, as concerns the stability and erosion control of dumps (for example, the very tall dumps at Népoui), SLN is the main contributor to the drafting of the benchmark guide to good mining practice expected to be published in 2011.

At the same time, SLN makes significant contributions to the following:

- the mining-site restoration committees *(Comités de réhabilitation des sites miniers* – CRSM) financed under the scheme introduced by *Délibération* [motion] 104. Since it was formed in 1990, SLN has contributed some €18 million. This scheme was scrapped and superseded by the Fond Nickel fund;
- the financing of the Fond Nickel fund provided under the development scheme. This fund was set up in March 2010 and is intended to restore orphan mines, with an annual budget of some €4 million. Half its funding is provided by the annual land royalties on mining concessions.

An important point to note is the institution of a policy of systematically mapping ground condition before the start to any new project, in accordance with the Group's Sustainable Development policy. Case examples of its implementation are evident in:

- the project for the Moanda metallurgy complex in Gabon, the siting of the new silicomanganese and ferromanganese production plant at Guilin in China, the continuing studies for mapping the initial ground condition for the Weda Bay Nickel project in Indonesia or the siting of the new UKAD plant in France;
- studies for new company acquisitions by external growth, as is the case of the two Valdi sites or the Tinfos sites;
- and the disposal of assets or businesses.

In consistency with this aim, the Group has also continued to diagnose the condition of the soil and subsoil of its working industrial sites. In 2010, significant progress was achieved on a number of fronts:

- At Comilog Moanda in Gabon, operations started on restoring the river Moulili by extracting the sediment deposited in the riverbed downstream from the mine washery. Comilog made a point of conducting an environmental impact study on this occasion. The evaluation of the direct and indirect incidences on the ecological balance, quality of life and living conditions of populations living within the project siting zone and adjacent areas will also be taken into account.
- Also at Comilog Moanda, the redevelopment work on the pre-homogenising mining service station was completed in 2010. To prevent any ground contamination, the installations concerned have been equipped with a hydrocarbon treatment facility taking in the oil draining, lubricating, washing and tyre changing stations. Two new separators were installed.
- At ERAMET Sandouville, or at Erasteel Champagnole, through knowledge of the sites' history and their past activities, together with the record of incidents at them, the main pollution black spots were identified during the year and sealed off, with optimum management of the necessary actions in consistency with future uses.
- At the Aubert & Duval Gennevilliers plant, in France, the ground condition mapping and the drawing up of the related management plan were finalised for the part of the site of which the shutting down was notified to the authorities at the end 2010.
- At Erachem Comilog Tertre, in Belgium, the work begun in 2008 involving the shutting down and restoration of the process-water pond at the recycling unit was finalised in 2010.
- At Aubert & Duval Firminy, in France, actions begun in 2007 to counter impacts observed from hydrocarbon pollution of the ground and of surface water were completed in 2010. A special treatment plant was commissioned, fully meeting the requirement to treat hydrocarbon-polluted water before discharge.
- Other work to prevent ground leaching was carried out to limit the impact from the Group's activities, particularly, in 2010, at the French sites of Interforge, Valdi Feurs and Erasteel Commentry.
- At the Aubert & Duval Les Ancizes site, in France, preliminary studies conducted jointly with the municipal authorities were begun this year for the shutting-down and restoration of the existing landfill site under the agreement concluded in 2009. The related jointly-conducted works are expected to begin in 2011, while the site-specific part of those works has already begun.
- At Comilog France in Boulogne-sur-Mer, following the cessation of activity at the site, only the restoration work on the waste storage site at Manihen (62) remained outstanding. This work was finalised in 2010. The site was covered up and restored to the authorities' specifications. The post-operation follow-up was begun in early 2010, in compliance with the prefectural order concerning the site. Work is continuing at the site on in-depth studies and the monitoring of potential impacts.

In New Caledonia, it is worth noting that, despite sizeable accumulated rainfall in 2010 (> 2,000 mm over the 5 mining centres, and close upon 3,000 mm at Kouaoua), no significant incident was noted, thereby demonstrating the appropriateness and high technological control of SLN's measures to assure the stability of dumps.

## 3.3.3.4. INDUSTRIAL RISK CONTROL POLICY

### GROUP CRISIS MANAGEMENT PROCEDURES

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

- **Crisis prevention:** identification of significant local and national parameters (authorities, elected representatives, media, etc.), contact plans, identification of poor indicators, Group reporting, simulations;
- **Serious-incident management:** defining a serious incident, Group reporting, feedback, communication;
- **During a crisis:** crisis-identifying criteria, Group reporting, in-crisis organisation (operations management, communication, recourse to experts, crisis unit), feedback.

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

For purposes of the first procedure, a specific action has been conducted since 2008, driven by the DC2D, in order to identify site and Group stakeholders.

In 2010, especial attention was paid to crisis simulation exercises at the French sites. Out of 15 sites, 12 conducted one or more exercises in 2010, some of them with the Fire Brigade in attendance. The three remaining sites are currently rolling out the "internal emergency plan" procedure.

### RISK-ANALYSIS METHODOLOGICAL ASSISTANCE

The Group, *via* DC2D, provide assistance to the sites for the study of their hazards.

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

#### RISK-CONTROL ENGINEERING FOR PURPOSES OF THE GROUP'S DAMAGE/BUSINESS INTERRUPTION INSURANCE POLICY

In 2010, ERAMET continued its policy of biannual engineering visits (risk-control audits) to all industrial sites in close coordination with the insurer, brokers and the Group Insurance Department.

The following sites were visited:

- Aubert & Duval: Firminy, Heyrieux, Imphy, Issoire, Les Ancizes, and Interforge at Issoire;
- Erasteel: Commentry and Champagnole;
- Manganese Division: Erachem-Comilog Baltimore and New Johnsonville, Comilog Dunkerque, Erachem-Comilog Tertre, Valdi Le Palais and Feurs (before inclusion in the Group programme);
- Nickel Division: Eurotungstène, ERAMET Sandouville, SLN (Doniambo and the 4 mines).

The follow-up indicators for the actions decided as a result of these visits are included in a summary report presented to the Executive Committee twice a year, covering compliance with standard fire safety procedures and the actions to protect strategic facilities.

For example, in the case of the standard Group procedures drawn up with the insurers, the performance indicator for all industrial sites covered by the Group policy (some 50 sites) has risen over three-and-a-half years from 39% to 74% for strict procedural compliance and fallen from 19% to 0% for the absence of procedures.

As always, close involvement of the Group's industrial-risk contact people on-site and the leading insurer's engineering teams in all capital expenditure programmes helps ensure optimum protection for new facilities. In 2010, These studies focused on UKAD, IV30 and the critical electrical rooms at Les Ancizes, the new press at AD Issoire, New Guilin, the C2M project in Gabon, the protection of fuel tanks and critical electrical rooms at SLN.

#### ENVIRONMENTAL INSURANCE POLICY – RISK-CONTROL VISITS

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

The visit programme involves the insurers assessing the risk of harm to the environment, with 3 sites visited per year. A half-yearly progress report monitors the actions decided following these visits.

In 2010, the Comilog Dunkerque, Aubert & Duval Les Ancizes and Issoire site were visited in accordance with the pre-established schedule.

The visit to each site involves ascertaining the site's situation with regard to the regulations, a visit of the terrain and a first-approach survey of the existing action plans. This survey supplements the internal audits performed every 2-3 years.

## 3.3.4. Transportation-related risks

### 3.3.4.1. 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 the markets. To protect itself against sharp rises in freight costs, the Group seeks to contract long-term at predefined prices and to reserve some ships on a long-term basis. During periods of low sales activity, on the other hand, this may entail renegotiation of some contracts.

The risk of property damage is covered by specific insurance policies.

### 3.3.4.2. RAIL TRANSPORT

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

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

## 3.3.5. Asbestos risk

Details of the asbestos risk are given in the "Health and Safety" section, paragraph 5.4.5.

# 3.4. LEGAL AND TAX RISKS/DISPUTES

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

### 3.4.1.1. 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.

These regulations may change, with the possible incidents on the operation and performance.

### 3.4.1.2. TAX FRAMEWORK

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

It should be noted that ERAMET is the parent company of a tax consolidation group that comprised 20 companies at 31 December 2010.

The following notes apply to subsidiaries outside mainland France:

- Société Le Nickel-SLN is the taxpayer for the mining and metallurgical corporation tax in New Caledonia, at a rate of 35%. Since 1975, the company has benefited from a tax freeze system that has been renewed several times. It was last renewed for 15 years as from 1 January 2002 pursuant to a local order of 13 June 2002. Moreover, some of the subsidiary's capital expenditure programmes in New Caledonia benefit from the tax exemption measures introduced by the Paul and Girardin Acts and from the relief granted under the New Caledonian Tax Code for capital expenditure in metallurgy.
- The Comilog subsidiary is subject to income tax at 35% and to export duty and mining royalties that represent approximately 6% of the pithead value of the mined products (close to FOB value) and to a 15% tax on dividends. This tax regime is frozen until 2032 under a mining agreement signed in October 2004 and ratified by the Gabonese parliament in 2005. The tax convention between Gabon and France signed in Libreville on 20 September 1995 took effect on 1 March 2008 and replaced the earlier convention of 21 April 1966.
- In general, subsidiaries based outside France (Norway, Sweden, USA, China, etc.) are subject to standard local taxation. The dividends paid by those subsidiaries to the parent company are in some cases subject to a withholding tax. In the latter connection, the ERAMET Group subsidiaries enjoy benefit of the current tax conventions.
- It should be noted that since 1 January 2008, Chinese taxation has been radically reformed, in particular with the discontinuation of concessionary regimes for certain foreign companies and the introduction of a uniform corporate income tax rate of 25%. This reform has had no particular implications for the ERAMET Group's Chinese companies.

## 3.4.2. Material lawsuits

Apart from the matters detailed below, no government, judicial or arbitration proceedings exist, including any proceedings of which the company is aware, whether pending or threatened against it, that is liable to have or has in the last 12 months had material effects on the financial position or profitability of the company and/or the Group.

#### CARLO TASSARA FRANCE LITIGATION

On 17 December 2009, Carlo Tassara France issued a writ against the S.I.M.A., SORAME and CEIR companies, together with members of the Duval family, summoning them to appear before the Paris Commercial Court. The writ of summons states that the action is being brought in the presence of ERAMET. The facts are detailed in Note 32 to the consolidated financial statements set out in Section 6 of this document. A first procedural hearing was held on 24 February 2011 and after the latest exchanges pleadings, the trial hearing was set for 5 May 2011.

### 3.4.2.1. NICKEL DIVISION

#### GROUND POLLUTION LAWSUITS

Both lawsuits were in New Caledonia, between Société Le Nickel-SLN and two livestock-farming landowners who were suing for reparation of prejudices they claimed to have arisen from pollution of their land by mine working. Both matters are now closed.

### 3.4.2.2. MANGANESE DIVISION

#### CLAIM BY KAZAKH COMPANIES

Following a 2006 anti-dumping complaint filed with the European Union on behalf of its members by Euroalliages against Kazakh manganese alloy producers, which the latter considered unfounded and wrongful, the producers brought Euroalliages and its members (including ERAMET Comilog Manganèse) before the Court of First Instance in Brussels on 9 May 2007, claiming €335 million in damages. ERAMET Comilog Manganèse, in coordination with Euroalliages, has taken all measures to fight this manifestly undue claim, which seeks in reality to place indirect pressure on the European Union. As it currently stands, the case has little chance of succeeding, since the Commission had already imposed customs duties on some of the products pursuant to a Regulation of 4 December 2007, a decision that was challenged before the Court of First Instance of the European Community. On 17 February 2009, the Court of First Instance in Brussels ruled in favour of Euroalliages and its members, ruling that only the European Union courts have jurisdiction to hear this dispute pertaining to an anti-dumping complaint. The Kazakh producers appealed against this decision, and the appeal ruling could be given in 2011.

## FORMER EMPLOYEES OF COMILOG IN CONGO

Before the Transgabonais railway started operating, Comilog exported its manganese ore *via* the Republic of Congo, where it then employed nearly 1,000 people. Following a very serious rail accident on 5 September 1991 in the Republic of Congo, Comilog's rail shipments of ore through this country were suspended. This situation showed no sign of coming to an end, and led to the discontinuation of Comilog's operations in the Congo and the severance of its Congolese employees. After several years of negotiations delayed by the civil war in the Republic of Congo, a "memorandum of understanding for the final settlement of the dispute relating to the discontinuation of Comilog's operations in the Republic of Congo" was agreed by the Republic of Congo, the Gabonese Republic and Comilog on 19 July 2003. Under this agreement, Comilog and the Republic of Congo put an end to all past and future disputes, with the latter taking over all liabilities and obligations resulting from Comilog's operations in the Republic of Congo. Under the terms of this agreement, Comilog paid the Republic of Congo the sum of one billion two hundred million FCFA to compensate the employees who were dismissed. This sum is in addition to the considerable real and movable assets transferred free of charge by Comilog. Considering this compensation insufficient, 867 former employees of Comilog in the Republic of Congo summoned three French subsidiaries of Comilog, which had never employed them, and Comilog, to appear on 9 October 2008 before the Conciliation Board of the Paris Labour Arbitration Tribunal. After discussing the matter and finding a number of irregularities in the summonses, the Conciliation Board decided to schedule another conciliation hearing for 22 June 2009. After a number of deferrals, a decision by the Conciliation Board on 28 October 2009 referred the matter to the Labour Arbitration Judgement Board, after noting that the objections advanced by the defendant companies, particularly regarding the nationality of Comilog, raised an issue of especial complexity. In early December 2009, the applicants appealed against that decision, petitioning for its total nullification. In a ruling on 30 September 2010, the Paris Court of Appeal dismissed that appeal. After various deferrals, in a decision of 26 January 2011, the Judgement Board declared that it had no territorial competence in the matter. The applicant appealed against that decision. In view of the weak grounds for these actions, the various defendant companies have not funded any provision.

## GULF CHEMICAL & METALLURGICAL CORP.

In 2009, the US company GCMC (Gulf Chemical & Mettalurgical Corp.), a Group subsidiary, started negotiations with the TCEQ (Texas Commission for Environment Quality) on its operating permit. Authorities found a certain number of corrections had to be made and informed GCMC.

In February 2011, the Attorney General for the Texas State started a legal procedure against GCMC, mainly on corrective actions requested by TCEQ before Travis County District Court (Texas).

Discussions are underway with local authorities in order to settle the case. Provisions proportionate to risk appreciation have been funded.

# 3.5. LIQUIDITY, MARKET AND COUNTERPARTY RISKS

## 3.5.1. Liquidity risk

The Group is not exposed to liquidity risks because of its clearly positive net cash position of €1,295 million as of 31 December 2010. Cash surpluses are mostly transferred to Metal Securities, the Group's special purpose entity responsible for pooling and investing Group cash surpluses.

In addition, the Group may draw whenever required on additional sources of financing, namely a revolving credit facility, the issue of commercial paper and a repo programme (see Section 1.2.3).

### 3.5.1.1. OTHER LIABILITIES

Some Group subsidiaries also have credit facilities of their own, some of which were drawn down at 31 December 2010, particularly in the form of finance leases and borrowings.

### 3.5.1.2. COVENANTS

The main covenants at Group level are described in the Notes to the consolidated financial statements (Note 20.3.4).

## 3.5.2. Market risks

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

### 3.5.2.1. FOREIGN CURRENCY RISK

The ERAMET Group is exposed to two types of foreign currency risk, namely:

- transactional currency risks when a Group company pays or receives net flows in a currency other than its functional currency;
- foreign currency risks to the balance sheet due to changes in the net assets of subsidiaries measured in currencies other than the euro.

Since 2003, the Group has pooled its subsidiaries' transactional foreign currency risks. Each Group company reports to Group Treasury its exposure in currencies other than its functional currency. This management scheme is part of a multi-year policy with procedures approved by the Executive Committee and monthly reporting to its members.

The Group manages the foreign currency risk to the balance sheet for each case individually.

#### TRANSACTIONAL RISKS

Since 2007, transactions have been carried out *via* the special-purpose entity, Metal Currencies. The subsidiaries in question determine the amount of their net exposure. The associated risks are then hedged if the amount is greater than €2 million or the equivalent thereof per currency, except in special cases.

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

These hedges are detailed in the Notes to the consolidated financial statements (note 20).

At 31 December 2010, the fair value of currency hedges covering transactional risks represented a €19 million net asset (31 December 2009: €31 million net asset), mainly due to the strengthening of the dollar against all currencies in the first half-year of 2009, enabling hedges to be set up at more favourable rates than in 2008, and the fall in the dollar at the year-end leading to a very positive valuation of these hedges.

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

- the monthly exchange rate applied to recognise sales and receipts/purchases and payments; and
- the contractual settlement rate for hedges,

are recognised by each company under current operating profit (loss) on sales (under "Translation adjustments on sales") or purchases (under "Cost of goods sold").

A change of plus or minus 10% in the dollar rates would have an impact on the hedges charged to shareholders' equity of around -€90 million were rates to rise and approximately +€112 million were they to fall.

#### BALANCE SHEET RISKS

The ERAMET Group manages part of the foreign currency risks to the balance sheet, primarily related to the U.S. dollar, by issuing financial liabilities denominated in the same currency as the net assets in question.

In 2006, the ERAMET Group acquired Weda Bay Minerals Inc. for US$232 million. This acquisition was financed from own resources for the equivalent amount in euros, and the exchange risk was hedged from the outset by a euro/dollar currency swap.

See Notes to the consolidated financial statements (Note 20).

### 3.5.2.2. INTEREST RATE RISK

a) As regards its gross debt position, the Group looks at its debt position and market trends when deciding whether to hedge for interest rates. The Group's Treasury Department is responsible for setting up hedges.

At 31 December 2010, the Group had no interest rate hedges outstanding on its gross debt.

b) Cash surpluses managed by Metal Securities are invested in:

- variable-rate instruments linked to the Eonia (Euro OverNight Index Average) or Euribor (Euro InterBank Offered Rate) rates; or
- fixed-rate instruments swapped against the Euribor.

Under these conditions, a 10 basis-point drop in the Eonia/Euribor rate would have a negative annual impact of approximately €1 million on financial income.

#### 3.5.2.3. COUNTERPARTY RISK

The Group is exposed to several types of counterparty risk: they arise from its customers and its financial partners, particularly because of its cash surpluses.

- The group has several means of monitoring and hedging its customer risk: gathering information ahead of transactions (from rating and business-intelligence agencies, published financial statements, etc.), credit insurance and the arrangement of letters of credit and documentary credits. Trade receivables are specifically monitored by a credit manager for each Group Division, with a credit committee meeting monthly to set credit and outstanding-balance limits for each customer. In addition, every two months, a Group credit committee exchanges best practices and reviews the commercial situation of the major customer accounts. The Group's 20 leading customers account for less than 40% of sales. The Group's main customers are reviewed in detail in Note 11 to the consolidated financial statements in Section 6 of this document.
- For issuers of bonds or negotiable debt securities of more than three months' maturity: the procedure applicable to Metal Securities sets general investment limits according to counterparty rating and maturity. Credit-analyst or rating-agency assessments of each counterparty are also regularly monitored and all risks are reviewed quarterly.
- For UCITS, the procedure applicable to Metal Securities sets a double risk-dispersion rule, with both a maximum investment ratio for a given UCITS and the spreading of the assets managed by Metal Securities. This procedure applies in addition to the risk-spreading rules applied by the fund managers themselves to their assets.

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

## 3.6.1. The Group's general coverage policy/Risk coverage strategy

#### 3.6.1.1. GROUP ORGANISATION

The Group Insurance Department was established in 2003 with the goal of setting up Group programmes, monitoring the risk-control policy in coordination with the DC2D and seeking optimal risk/premium/retention solutions, including use of the Group's captive reinsurer.

#### 3.6.1.2. RISK IDENTIFICATION AND CONTROL

The Group has drawn up an audit programme for accurately mapping major risks, determining possible impacts should they materialise, and instituting appropriate schemes for controlling them and limiting their impact.

#### 3.6.1.3. USE OF THE INSURANCE MARKET

As risks are identified and their impact controlled, the Group seeks the most appropriate solutions on the market that offer an optimum cost/benefit balance. Through brokers, the Group has thus put in place global insurance programmes with pools of internationally renowned and financially sound insurers. The Group also uses the market to cover risks that are specific to some of its subsidiaries' activities or non-recurring operations, and in cases where insurance is required under local regulations.

#### 3.6.1.4. REINSURANCE

The Group also has a captive reinsurance company (ERAS) that enables it to provide primary coverage in some insurance programmes. The Group is thus able to more effectively manage premiums *via* a retrocession mechanism and to decide retention limits. This encourages the Divisions to develop their own risk-control programmes.

#### 3.6.1.5. COVERAGE LEVELS

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

## 3.6.2. Types of insurance policy subscribed

The Group has a varied range of insurance programmes designed to cover the different insurable risks to which it is exposed.

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

### 3.6.2.1. CIVIL LIABILITY INSURANCE

#### GENERAL CIVIL LIABILITY INSURANCE

This programme covers the legal civil liability incurred by the Group from damage sustained to third parties in the course of its business or from its products, namely: operator's general liability, custody of goods, product liability including aerospace products, contractor's civil liability, sudden and accidental pollution. Coverage is comprehensive meaning that everything not excluded is covered, exclusions being those commonly applied for this type of risk. Coverage is applied on a "claims" basis, meaning that it applies to any claim made during the insurance period (including the subsequent five year period, in line with French regulations). For any claims received, the programme applies from France. If applicable, where local regulations require local policies, this insurance applies on top of those policies and to compensate for differences in conditions and/or limits on a DIC/DIL basis worldwide. 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. This programme also comes into play beyond the cover limits and amounts provided by several specific sub-programmes, particularly the following: in North America, to cover vehicle and employer civil liability and, in the United Kingdom, to top up compulsory insurance such as employer's civil liability. The annual renewal date for this programme is 1 July. This programme was set up on 1 July 2004 with AXA Corporate Solutions. It was renewed on 1 July 2006 for a period of three years, and subsequently renewed on 1 July 2008 for a further three-year period. These successive long-term renewals entailed no increase in premiums.

#### ENVIRONMENTAL CIVIL LIABILITY

In 2007, a specific environmental civil liability policy was taken out for €10 million to cover certain subsidiaries. The cover terms for this policy were significantly improved in 2010, among others by raising the amount from €10 million to €20 million. A similar policy was taken out for US$25 million in early 2008 for the US and Canadian companies.

### 3.6.2.2. PROPERTY DAMAGE AND BUSINESS INTERRUPTION INSURANCE

This scheme covers property damage incurred suddenly and accidentally to the insured property, including machine breakage risk, and any resulting business interruption losses for all Group entities. Coverage is comprehensive meaning that everything not excluded is covered, exclusions being those commonly applied for this type of risk. The programme is based on a Master policy issued in France that directly covers the following countries: France, Belgium, Italy, Norway, United Kingdom and Sweden, providing cover on any difference in conditions and/or in limits (DIC/DIL) under local policies. With the inclusion in 2009 of the companies located in China, all Group companies are now covered by the programme. The programme was subscribed with a pool of insurers, with AXA Corporate Solutions as leading insurer. It took effect on 1 January 2005 with maximum coverage of €250 million, subject to sub-limits applied to certain events and to commonly accepted exclusions. Since then, a number of underwriting improvements have been made to the cover and excesses under the programme. Furthermore, it has been systematically extended under the same budget conditions. Particular attention is given to recommendations made by the insurers based on site risk-control visits. This makes it possible to customise both the risk-control programme and the coverage terms for the sites.

### 3.6.2.3. SHIPPING INSURANCE

On 1 January 2008, a Group global shipping insurance scheme was established. This scheme covers the period from 1 January 2008 for all Group entities worldwide and for all types of shipping: sea, river, land or air. It covers all types of goods, freight or equipment shipped. The programme comprises three policies: the programme comprises three policies: "marine cargo" for goods shipping with AIG, "charterer" with RAETS Club and "hull and machinery" with AXA Corporate Solutions. The introduction of this programme provided for both particularly favourable terms for both coverage conditions and premiums.

# Corporate governance



4

# 4.1. PRESENTATION OF COMPANY AND GROUP MANAGEMENT AND ADMINISTRATIVE BODIES

## 4.1.1. General Management Organisation Chart


*(1) Vice-Chairman, Deputy CEO.*
*(2) Deputy CEO.*

## 4.1.2. Report from the Chairman of the Board of Directors

As Chairman of the Company's Board of Directors, I am delighted to be able to present you with the report provided for under Article L. 225-37 of the French Commercial Code *(Code de commerce)*. This report was approved by the Board of Directors at its Meeting of 16 February 2011.

As required by law, this report firstly covers the preparation and organisation of the work of the Board of Directors and indicates, where applicable, the limits on the powers of the Chairman and CEO. It will subsequently cover internal control procedures.

### 4.1.2.1. CONDITIONS FOR THE PREPARATION AND ORGANISATION OF THE WORK OF THE BOARD OF DIRECTORS

In accordance with the decision from the Board of Directors of 9 December 2008, ERAMET uses the Afep/Medef corporate governance code for listed companies as a reference. A copy of this code is available from the Legal Department at head office.

#### GENERAL MANAGEMENT

#### Company Management Method

At its Meeting on 26 March 2003, the Company's Board of Directors adopted, in accordance with the resolution from the General Shareholders' Meeting of 23 May 2002 and Article 15 of the Articles of Association, traditional organisation of the Company's Management with a Chairman and Chief Executive Officer responsible for both the General Management of the Company and chairmanship of the Board of Directors, considering that this choice was the best adapted to the Company's organisation and shareholdings.

In accordance with Article 17 of the Articles of Association, the Board may, on the proposal of the person in charge of the Company's general management, appoint up to five deputy CEOs to assist him/her. The Company's CEO and deputy CEOs must be nationals of a member state of the European Union and may not hold the position beyond the age of 70.

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

#### Membership of General Management

The General Management of the Company and Group is organised as follows:

##### Chairman and CEO: Patrick Buffet

At its Meeting of 25 April 2007, the Board of Directors granted him all the powers permitted by French law to a Chairman and CEO of a public limited company. The Board also granted, on the same terms, the power to substitute and delegate, under his responsibility, to such persons as he sees fit, with the possibility of sub-delegating such part of his powers as he feels appropriate, by giving special powers for one or more specific purposes.

In line with the provisions of Article 14, Subsection 2 of the Articles of Association, the Chairman exercises full authority subject to the proviso that, "no decision relating to the Company's major strategic, economic, financial or technological issues may be taken without first being discussed by the Board."

In line with Article 14, Subsection 4 of the Articles of Association, "acts affecting the Company must be signed either by the CEO, the Deputy CEO or by any specially authorised person."

##### Deputy CEOs

The following were appointed in that capacity:

- Georges Duval (with effect from 23 May 2002), Alloys Division;
- Bertrand Madelin (with effect from 1 January 2008), Nickel Division;
- Philippe Vecten (with effect from 23 May 2007), Manganese Division.

The three Deputy CEOs are all also Division Managers and Georges Duval is also responsible for purchasing. The China Department reports to Philippe Vecten. The Administration and Finance Department, the Human Resources, Health and Safety Department, the Communications and Sustainable Development Department, the Research, Innovation, Engineering and Purchasing Department, the Development Department, the Leaders Project Department, the Strategy and Investors Relations Department, and ERAMET International, report to the Chairman. The Chief Financial Officer, Jean-Didier Dujardin, also supervises IT systems, internal audit, management control, the treasury, accounting and the Legal Department.

The monthly meetings of the Divisions, chaired by the Chairman and CEO, provide a forum for important Group-related decisions. They allow monthly reporting to be monitored and the critical operating decisions facing the Divisions to be established.

Since September 2004, the Company's management method has also included an Executive Committee (Comex) and an International Management Committee (IMC), which are both chaired by the Chairman and CEO.

The Executive Committee, which is the decision-making body for the Group and the Divisions, is comprised of the Chairman and CEO, the three Division Managers, the Human Resources, Health & Safety Manager, the Chief Financial Officer and the Communications and Sustainable Development Manager. The fact that the "Corporate" Managers of the support departments (Human Resources, Health and Safety Department, Administration and Finance Department and Communications and Sustainable Development Department) are Comex members increases the effectiveness and coherence of their initiatives. The aim is to enable the cross-company departments to carry out three essential roles: an operational role, a supervisory role and a service role for the Divisions.

The International Management Committee meets on a quarterly basis and is composed of the members of the Executive Committee, the CEO of Erasteel, the CEO of Aubert & Duval, the Chairman of ERAMET International, the Deputy CEO of Société Le Nickel-SLN, the CEO of Comilog, the Chairman of PT Weda Bay, the Manager of the manganese chemistry/recycling business unit, the Manager of the Leaders programmes, ERAMET's Manager in China and the Research, Innovation, Engineering and Purchasing Manager.

## THE BOARD OF DIRECTORS

### Membership/independence

In line with the shareholders' agreement of 17 June 1999, as amended on 29 May 2008, between SORAME and CEIR on the one hand, and AREVA, on the other hand, since the Meeting of 21 July 1999, the Board of Directors has in principle been comprised of fifteen members, as follows, not including the Chairman:

- five directors put forward by the SORAME-CEIR concert party, (including one (J. Rossignol) having the status of the four "qualified persons" mentioned below);
- three directors put forward by AREVA;
- two directors put forward by the STCPI;
- four "qualified persons", two put forward by the SORAME CEIR concert party and two by AREVA, "in light of their expertise and their independence from the party nominating them and from the Company itself, in line with the recommendations of the Viénot report" (under the terms of the shareholders' agreement).

On 31 December 2010, the Board had the following fifteen members:

#### Chairman of the Board of Directors

Patrick Buffet, since 25 April 2007.

#### Vice-Chairmen

At its Meeting of 13 September 2000, the Board of Directors decided to appoint two Vice-Chairmen representing the two largest shareholders.

- Georges Duval, on behalf of SORAME, since 13 September 2000;
- Gilbert Lehmann, on behalf of AREVA, since 13 December 2005.

#### Directors

- Cyrille Duval;
- Édouard Duval;
- Georges Duval;
- Patrick Duval;
- Pierre-Noël Giraud (independent director);
- Gilbert Lehmann;
- Jean-Hervé Lorenzi (independent director);
- Louis Mapou;
- Sébastien de Montessus;
- Michel Quintard;
- Jacques Rossignol (independent director);
- Michel Somnolet (independent director);
- Antoine Treuille (independent director);
- AREVA, represented by Frédéric Tona.

The Afep/Medef corporate governance code considers that a director is independent "when he has no relations whatsoever with the company, its group or its management, that could compromise the exercising of his freedom of judgement" and also identifies a certain number of criteria that have to be analysed in order to decide whether a director may be classified as independent:

- "not being a salaried employee or corporate officer of the company, a salaried employee or director of its parent company or of a company which it consolidates, and not having been so during the course of the previous five years";
- "not being a corporate officer of a company in which the company directly or indirectly holds a directorship or in which a salaried employee designated as such or a corporate officer of the company (currently or having held such a position within the past five years) holds a directorship";
- "not being (or being directly or indirectly associated with) a major customer, supplier, merchant banker, financing banker of the company or its group, or for which the company or its group represents a significant percentage of its business activity";
- "not having any close family ties with a corporate officer";
- "not having been company auditor during the past five years";
- "not having been a company director for more than twelve years".

On 31 December 2010, on the basis of an analysis of these criteria by the Board, it has five independent directors out of a total of fifteen members, meaning that one third of the members are independent in accordance with the recommendations of the Afep/Medef code.

In July 2011, owing to the draft resolution presented for voting on at the next Annual General Shareholders' Meeting and concerning the renewal of his term of office, Mr Treuille may reach the 12-year term of office criterion, as he was first appointed as a director of the Company in July 1999. At its Meeting of 16 February 2011, the Board of Directors decided that Mr Treuille was able to continue to be considered as independent owing to his significant experience and expertise. In addition, the same Board Meeting decided that Messrs Lehmann and Tona, who stopped being salaried employees of the AREVA Group more than five years ago, shall be considered as independent as from 2011.

In accordance with the new recommendations added to Afep/Medef corporate governance code in April 2010 and the provisions of the Act 2011-103 of 27 January 2011, it is hereby reiterated that boards of directors which do not have a single female member must suggest the appointment of a female director by the 2011 General Shareholders' Meeting at the latest. In this respect, the appointment of Mrs Josseline de Clausade and Mrs Manoelle Lepoutre shall be suggested to ERAMET's next General Shareholders' Meeting.

Under Article 11 of the Articles of Association, directors may not be over seventy years of age when they are appointed and are so appointed for a four-year term of office. The Chairman and a majority of members of the Board of Directors (including legal entities and their permanent representatives) must be nationals of a member state of the European Union. All directors must own at least one share.

### Other participants in Board Meetings

**Observers**

The Board of Directors, at its Meeting of 12 April 2000, drawing on the option provided for in Article 19 of the Articles of Association, decided to offer two observer positions to Group employees, in addition to Works Council representatives. In practice, the two observers are nominated by the European Works Council. On 30 July 2008, the Board reappointed Jean Javelier and Daniel Signoret as observers for a further four years. On 29 July 2009, the Board appointed Mr Bertrand Fréart as an observer to replace Mr Javelier.

**Company Works Council Delegates**

Serge Zaragoza, Claudine Grossin, Didier Jacq, Yann Gourvil.

## ERAMET directors' charter

The duties and obligations of the directors are set out in the directors' charter, provided for under Article 12-4 of the Articles of Association. Paragraph 6 of Article 13 of the Articles of Association also states that "it is the directors' duty to defend ERAMET's interests in all circumstances and they shall refrain, whilst carrying out their duties, from any and all action, or inaction, that may compromise it".

All new directors elected by the General Shareholders' Meeting or co-opted by the Board, whether they are directors in their own right or the permanent representative of a legal entity, sign up to the charter that gives a general description of the directors' assignment, the principles governing their actions and the rules of conduct imposed by effective legislation and the Company's Articles of Association.

The charter, which was adopted for the first time in 1999, particularly emphasises directors' competence, their duties as regards disclosure and obtaining information, their attendance both at Board Meetings and, insofar as possible, at General Shareholders' Meetings, and their independence. Board Members are notably asked, at all times, to ensure they are not in a direct or indirect conflict of interest with the Company and any company in which they hold a position. Such a situation, which must be notified to the Board, may result, as the case may be, in a refusal to appoint or a resignation (structural conflict), or in their abstention (one-off conflict). On the date when this report was drawn up, no director had a conflict of interest within the meaning of Section 14.2 of Annex 1 to EC Regulation No. 809/2004.

The duty of confidentiality and of refraining from dealing in the Company's shares when in possession of unpublished material information is also reiterated. Since 2005, the rule prohibiting dealing in the Company's shares has been subject to a procedure applicable to corporate officers and senior executives, who appear on a regularly updated list. This procedure was updated and reviewed at the Board of Directors' Meeting of 16 February 2011 which adopted a code of conduct for prevention of insider trading for the ERAMET Group.

## By-laws

The Board adopted By-laws on 6 September 2006 which specify its organisation. The By-laws are available from the Secretary of the Board of Directors at the Company's head office. They state that the Board approves the Group's strategic directions and strategic investment projects and any transactions, in particular, acquisitions or disposals, which could significantly affect the Group's earnings, balance sheet structure and risk profile. It also receives press releases concerning the approval of the financial statements or acquisition or disposal transactions, prior to their dissemination, unless there is a duly justified emergency.

The By-laws also specify the membership, organisation and operation of the Committees, as described below. Whilst carrying out their respective assignments and after having duly informed the Chairman, the Committees may interview the Group's senior executives. They report on the information obtained and the opinions gathered.

## Code of Conduct

On 20 January 2010, following a recommendation from the Audit Committee, the Board adopted the Group's Code of Conduct. The full text of the Code can be consulted on ERAMET's website. The purpose of this Code is to formalise a set of core shared principles of behaviour which everyone in the Group will be able to refer to and comply with in all circumstances. These principles apply firstly to the Group but the Group encourages all its partners to apply the same requirements. These principles are as follows: combating all forms of fraud or corruption, avoiding any conflict of interest, complying with rules on competition, protecting the Group's information, respecting and protecting health and safety in the workplace, providing high-quality products and services, in compliance with safety and environmental protection standards, promoting the Group's regional and social responsibility, providing the Group's local partners with high-quality information and its shareholders with reliable and comprehensive information.

During the 2010 financial year, this Code was distributed to all the Group's employees. It is passed on by Comex members, the management committee of each Division and the main associates of the corporate managers. The Legal Manager, Patrick Rothey, has also be put in charge of ethics for the ERAMET Group. In particular, he is responsible for the due and proper application of the Code of Conduct.

## Sustainable development policy

Moreover, on 20 January 2010, following a recommendation from the Audit Committee, the Board of Directors adopted a sustainable development policy. The full text of the policy can be consulted on ERAMET's website and the main provisions are also set forth in the sustainable development chapter (chapter 5) of this reference document. During the 2010 financial year, the corresponding objectives were approved: their roll-out will be subject to regular monitoring.

### Assessment of the Board's Work

In 2009, the Secretary of the Board provided a questionnaire, prepared with the assistance of an outside firm, in order to assess the operation of the Board, to all the Board members, which was supplemented, where necessary, with face-to-face interviews. The conclusions of this assessment were presented and discussed at the Board of Directors' Meeting of 28 July 2010 and were considered as globally satisfactory by the Board.

### Meetings

#### Meeting notice

Meetings are called as often as necessary by the Chairman sending an invitation to its members, in accordance with the law. Invitations may be sent to members by any means, including electronic, in principle one week prior to the date of the Meeting. With the exception of meetings held by telephone during the year, the Board's Meetings are usually held at the Company's head office (Tour Maine-Montparnasse).

#### Process for Board Meetings

At each Board Meeting, a dossier containing files on most of the items on the agenda is given to every participant in the Meeting.

Each Meeting usually begins with a preliminary report from the Chairman concerning the key events having occurred since the last Meeting followed by a presentation by each Division Manager of the operations of each of the three Divisions. Particularly important projects with respect to the Group's strategy may be presented.

At the end of the Meeting, in particular when the Board is approving the financial statements, a draft press release is usually submitted to Directors for their approval and is published at the end of the day or the next day before the markets open in order to report to the market on the main developments affecting the Company and the Group.

#### Minutes

The Secretary of the Board (in principle, the Company's Director of Legal Affairs) draws up the minutes for each Board Meeting, which the Chairman submits to Directors for approval at the next Meeting, the draft minutes being sent to each participant (Directors, observers and Group Works Council members), together with the invitation and agenda, approximately one week prior to the scheduled Meeting date.

### Work in 2010

The Board of Directors met 10 times in 2010. The attendance rate of its members was 85.6%.

In addition to examining recurring items relating to the Group's business activity and, in particular:

- the approval of the 2009 financial statements of the Company and the Group and the calling of the General Shareholders' Meeting;
- the review of the 2010 interim financial statements;
- the review of the key events affecting the Group and its Divisions during the previous quarter;
- the 2010 and 2011 budgets;
- planned investment in or development of existing facilities.

This year, the Board also focussed on the following issues:

- the adoption of the Group's Code of Conduct and the Sustainable Development policy;
- the setting of the agenda of the General Shareholders' Meeting of 20 May 2010, in particular, in light of the draft resolutions sent by Carlo Tassara France;
- the change of the capital of Comilog by the increase in the interest of the Gabonese Republic;
- the renewal of the shareholders' agreement of Société Le Nickel-SLN between ERAMET and the STCPI;
- the renegotiation of the existing syndicated loan.

In order to carry out its assignment, the Board is also assisted by the three Committees which it has established.

### Audit Committee

A charter setting out its membership (three members), its operation and its assignments was adopted by the Board on 10 December 2003.

In accordance with Article L. 823-19 of the French Commercial Code, this Committee is responsible, in particular, for monitoring (i) the process for producing financial information, (ii) the effectiveness of the internal control and risk management systems, (iii) the legal auditing of the annual financial statements and, where applicable, the consolidated financial statements by the Statutory Auditors, (iv) the independence of the Statutory Auditors.

To this end, it is responsible, in particular for (i) reviewing the relevance and proper application of the accounting methods used, (ii) analysing the interim and annual financial statements (iii) examining the internal audit plans and conclusions, (iv) monitoring major disputes, (v) examining the Group's management policy for exchange rates and commodities, hedging and investments and (vi) reviewing the Chairman's report on the preparation and organisation of the work of the Board and the internal control procedures.

In order to organise the work of the Audit Committee, the Company refers to the report from the AMF's working group on audit committees (AMF recommendation of 22 July 2010).

In particular, the Chief Financial Officer, the Statutory Auditors and the Group's Internal Audit Manager, the Accounting and Tax Manager and the Treasury Manager attend Committee meetings.

The Audit Committee is currently comprised of three directors: Gilbert Lehmann, Michel Somnolet (independent director) and Antoine Treuille (independent director).

Gilbert Lehmann, a graduate of the *Institut d'études politiques* in Paris and having a degree in economics, has been a member of General Management and Chief Financial Officer, in particular, with the AREVA Group, for many years.

Michel Somnolet, an HEC graduate, is a former director, Vice-Chairman and Chief Executive Officer in charge of Administration and Finance at L'Oréal.

Antoine Treuille, a graduate of the ESSEC and with an MBA from the University of Columbia in the United States, is Executive Managing Director of Altamont Capital Partners LLC, a New York-based private equity fund.

The Audit Committee met four times during 2010 and the attendance rate of its members was 100%.

Besides presenting the financial statements for the previous year in February and examining the interim financial statements in July, the Committee reviews, every year, the report on the audits carried out during the year and the audit plan for the following year. The Committee's examination of the financial statements is accompanied by a presentation by the Statutory Auditors of the findings of their audits and of the main points concerning the work carried out.

During the 2010 financial year, besides reviewing the annual and interim financial statements, the Committee specifically examined the following points:

- the Chairman's report on the work of the Board of Directors and on internal control;
- the work of the Internal Audit Department for 2009 and 2010 and its provisional work programme for 2011 and 2012;
- the most-recent changes to IFRS;
- the detailed structure of expenses at ERAMET Holding's head office;
- the results of the tax inspection of Société Le Nickel-SLN;
- the Group's Code of Conduct and policy concerning Sustainable Development;
- the monitoring of disputes and provisions for the Group's contingencies and liabilities;
- an analysis of the Group's investment and hedging policies;
- a review of the pension commitments of the Company and its subsidiaries;
- the post-investment review of the 40 kt press in Pamiers;
- Erasteel's restructuring project.

### Compensation Committee

A charter setting out its membership (three members), its operation and its responsibilities has been adopted by the Board. This Committee is mainly responsible for making suggestions to the Board of Directors in respect of the remuneration of the corporate officers of the ERAMET Group, as appointed by the Board of Directors.

The Committee is assisted in its work by the Group Human Resources, Health and Safety Manager, who also holds the position of Committee meeting secretary.

The Compensation Committee is currently comprised of three members: Frédéric Tona, Jacques Rossignol (independent director) and Michel Somnolet (independent director).

The compensation policy for corporate officers, as set by the Board of Directors, is based on the following items:

- Remuneration is comprised of a fixed portion and a variable portion, decided on annually by the Board following recommendations from the Compensation Committee.
- The variable portion is based on a certain number of specific criteria and goals, the choice and weighting of which are approved by the Board of Directors every year, on the basis of a recommendation from the Compensation Committee, such as, for example, for 2010: (i) actual economic earnings (Current Operating Income), (ii) financial earnings (net cash), (iii) the completion vis-à-vis the schedule and budget of major investments, industrial projects or development and acquisition initiatives, (iv) "managerial" results in terms of team leadership and motivation, project and strategy proposals and goals in the field of safety, the environment, health and industrial risks. For confidentiality reasons, these results, compared to pre-established targets which were precisely defined by the Compensation Committee and the Board of Directors, cannot be made public. The variable portion may not be more than 55% of the gross annual fixed remuneration (110% for the Chairman and CEO) for the 2010 financial year.
- In addition, in respect of profit-sharing, corporate officers may benefit from performance share plans or share subscription or purchase option plans, the terms and conditions of which are decided upon by the Board of Directors, on the basis of a recommendation from the Compensation Committee. Since the Board Meeting of 23 July 2007, corporate officers are required to retain 20% of the shares acquired under the performance share plans granted during their whole term of office. In 2010, a total of 14,985 performance shares, all subject to performance conditions, were allocated to corporate officers. Performance conditions are calculated over three years and are as follows: relative performance of ERAMET shares for 50% of the allocation (this involves comparing the change in total shareholder return over three years with that of a panel composed of 30 comparable companies on the Stoxx 600 Basic Resources Index, with the performance conditions being fully achieved if the ERAMET share is classified in the top 15% of the panel) and the intrinsic performance achieved in thirds over three years of certain economic indicators for 50% of the allocation (25% of current operating income on turnover and 25% of cash-flow related to operating activities, with the annual targets referring to the Company's budgetary objectives and the performance conditions only being fully achieved in the event of the significant exceeding of these objectives). No allocation of share subscription or purchase options was made during the financial year to these same beneficiaries.
- Corporate officers are eligible for the existing defined benefit supplementary pension plan for ERAMET's senior executives, a plan for which the new arrangements became applicable as from 1 July 2008. In the event of a settlement of their pension rights vis-à-vis the social security, they may be entitled to a supplementary pension that may not exceed 35% of the reference salary defined in the internal plan regulations, with said reference salary being limited, in the same regulations, to twenty-five times the annual social security ceiling. The overall remuneration of corporate officers takes account of the benefit represented by the supplementary pension plan. People who have at least two years' seniority with the Company are eligible for this plan. The reference period taken into account to calculate the reference salary is twelve months for the annual fixed portion and the average of the three final variable salaries, calculated on the basis of full years, for the variable portion. All these arrangements, combined with the overall limitation of 35% of the reference salary, which is itself limited to 25 times the annual social security ceiling [1] provides a very reasonable balance to the whole pension plan.

(1) In 2010, the annual social security ceiling was €34,620.

- Should the Chairman and CEO leave the Company, entitlement to the severance pay provided for in his corporate officer contract is subject to meeting performance conditions: the total gross variable remuneration (itself subject to specific performance conditions) received over the final three full financial years of the term of office (or if the term is less than three years, during the full financial year(s) of the term of office) must be 20% or more of the total gross annual fixed remuneration received during said financial years. As a result, these arrangements exclude payment of such an indemnity should the Chairman and CEO fail to achieve his targets. This change was approved by the General Shareholders' Meeting of 16 April 2008 as part of related-party agreements. Moreover, in accordance with the recommendations of the Afep/Medef corporate governance code, Patrick Buffet does not hold an employment contract with the Company. The other corporate officers do not benefit from a commitment or promise relating to the granting of a severance payment in respect of their offices. The employment contract between the Deputy CEOs and the Company is suspended until their terms of office expire. The suspended employment contracts of Messrs Madelin and Vecten provide for the payment, in the event of dismissal, retirement or pensioning-off, of a customary payment, calculated on the basis of the national collective bargaining agreement for executives in the metallurgy industry and on the basis of their reference remuneration (fixed plus variable). The collective bargaining agreement provides for a maximum of 18 months' remuneration for maximum length of service of 28 or 30 years depending on the age of the parties upon their departure. The suspended employment contract of Georges Duval contains a clause providing, in the event of dismissal, retirement or pensioning-off, for the payment of a contractual payment of 18 months' salary, calculated on the basis of his reference remuneration (fixed plus variable) as an employee, which is not cumulative with the customary payments calculated on the basis of the national collective bargaining agreement for executives in the metallurgy industry. Édouard Duval's employment contract contains an identical clause.

  No payment relating to a non-competition commitment has been provided for corporate officers at the end of their terms of office, with the exception of Cyrille Duval whose employment contract provides for the right for his employer to invoke a one-year non-competition obligation, renewable once for the same term, in consideration for the payment of an indemnity of 50% of his average fixed remuneration for the twelve months preceding the termination of the contract, regardless of the reason. In the event of dismissal, this indemnity is raised to 60% of this average.

  In the event of a change in control of ERAMET, and the termination of an employment contract deemed as being attributable to the employer, a specific guarantee, which is not cumulative with the other applicable contractual guarantees or those under collective bargaining agreements, was decided upon in 2005 and implemented. On 31 December 2010, this guarantee applied to 17 of the Group's senior executives (Messrs Madelin and Vecten, the only corporate officer beneficiaries, certain members of the Group Executive Committee, who are not corporate officers, and members of the Comex of the Divisions). This guarantee, which represents an indemnity of three years' remuneration (fixed plus variable) for each beneficiary executive, was estimated at a total of €7.4 million on 31 December 2010. Mr Patrick Buffet does not benefit from this guarantee.

  Under their employment contracts, certain employees also benefit from contractual indemnities, including when they retire, calculated on the basis of one to two years' salary (fixed plus variable) and including the rights vested under the collective bargaining agreement to which they are subject.

- Following a review of the recommendations of the Afep/Medef code by the Board of Directors in 2008, the conclusion was reached that the corporate officer remuneration arrangements are in line with these recommendations, with the exception of the number of annuities taken into account to calculate the amount of the severance pay of the Chairman and CEO (three years), which should be revised after his term of office is renewed, in compliance with the general balance of the corporate officer contract of 26 April 2007, which was executed when he joined the ERAMET Group. The Board of Directors made this contract compliant with the provisions of the TEPA Act of 21 August 2007 at its Meeting of 20 February 2008.

The Compensation Committee met four times during 2010 and the attendance rate of its members was 100%.

During the financial year, besides validating the proposed 2009 bonuses, the 2010 targets and the 2011 fixed salaries of the corporate officers, which the Board of Directors approved, the Committee suggested to the Board of Directors the introduction as from the 2010 financial year of an annual performance share allocation plan for the corporate officers and senior executives of the Company and its subsidiaries, and the Board approved this. To this end, the Committee suggested to the Board of Directors, and the latter approved this, a 2010 Erashare worldwide bonus share allocation plan having enabled the allocation of two bonus shares to all the employees of the Company and its subsidiaries, and a selective performance share plan for 2010 for a total of 65,008 performance shares to 162 of the Group's executives (including 14,895 performance shares to the corporate officers). For 2011, the Committee suggested to the Board of Directors the renewal of a performance share allocation plan with criteria and terms and conditions similar to those of the plan approved for 2010, accompanied by a worldwide allocation plan of two bonus shares to all the Group's employees (2011 Erashare), and the Board approved this.

### Selection Committee

Comprised of four members (three directors and the Chairman), it recommends the appointment of the corporate officers heading up each of the Group's three Divisions.

The Committee is currently comprised of Patrick Buffet, Cyrille Duval, Édouard Duval and Gilbert Lehmann. Contrary to the recommendations of the Afep/Medef corporate governance code for listed companies, no independent director sits on this Committee and it is not responsible for selecting future directors. This is due to the specific rules of the shareholders' agreement designed to structure the relations between the various Company shareholders. The Secretary of the Committee is the Group Human Resources, Health and Safety Manager.

The Selection Committee did not meet in 2010.

## 4.1.2.2. INTERNAL CONTROL PROCEDURES

### THE COMPANY'S INTERNAL CONTROL GOALS

In accordance with the AMF's January 2007 reference framework, the goals of the internal control procedures in force at ERAMET are to:

- ensure that management actions, the carrying out of transactions and employee behaviour all comply with the policies laid down by the Company's governing bodies, with applicable legislation and regulations and with the Company's values, standards and internal rules;
- check that the accounting, financial and management information provided to the Company's governing bodies accurately reflects the Company's business activities and position;
- ensure that assets are protected against the various risks of losses resulting from theft, fire, improper or illegal actions and natural risks;
- prevent and control risks of error or fraud, in particular, in the accounting and financial fields.

However, as with any control system, it cannot provide an absolute guarantee that these risks have been totally eliminated.

### OVERVIEW OF THE CONTROL PROCEDURES IN PLACE

#### Internal control players

Owing to the diversity of its business activities, ERAMET is organised into three Divisions, each having all the departments required for its operations (management, production, sales, purchasing, finance, etc.) In addition to its General Management function, the head office provides support and carries out the control work required for the Group's cohesion. The following are the main internal control players:

- the Executive Committee (Comex), the membership of which is set out in the "General Management" section above, is the Group's decision-making centre and meets every two weeks. The International Management Committee, the membership of which is also set out in the "General Management" section above, deals, more specifically, with organisational matters. It meets four times a year;
- the Internal Audit Department reports to the Chief Financial Officer (CFO). Based on an annual audit plan approved annually by the Comex, the Department carries out assignments in the various Group units as defined in the plan and as instructed by the Chairman. It reports quarterly to the Comex and annually to the Audit Committee on the results of its work and progress of the resulting action plans. Each year the Audit Committee reviews the internal audit plan of the Group and of its subsidiaries (current plan and plan for the following year) and proposes any changes it feels are necessary;
- the Group Planning and Management Control Department reports to the CFO. It sets out the structure of ERAMET's management control and monitors the Division's management system projects to ensure they are consistent with the Group's goals. The department defines for the Group and helps implement for every Division and entity the relevant key performance indicators for each level. It is also responsible for Group reporting;
- the Legal Department reports to the CFO. As a service centre, it provides the whole Group with legal support on all issues within its area of expertise;
- the Treasury Department and the Finance and Insurance Department report to the CFO. As service centres, they manage, together with the specialised Committees of the main subsidiaries, for the whole Group, the hedging of exchange rate and commodity risks, in particular, nickel and fuel, financial resources (investments and borrowings) and the implementation and monitoring of all the insurance policies 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 Communications and Sustainable Development Department. It assists the various Divisions to control and reduce the Group's environmental impact, thereby ensuring the sustainability of ERAMET's business activities, products and markets in line with regulatory, political and labour developments;
- the Group Human Resources, Health and Safety Department. It manages the Company's human resources and ensures that HR policies are consistent across the Group's various entities. The department coordinates Health and Safety policies within the Group and formalises health issues *via* a network of local contacts at the sites;
- more generally, every management level in the Company is responsible within its field of expertise for defining, implementing and steering internal control items, under the management of the relevant Manager who is a member of the Comex.

#### Risk management

The analysis processes implemented by ERAMET should enable it to anticipate the main risks faced by the Group and to examine the relevance of the action plans required to monitor and reduce the major risks.

Risk analysis is firstly based on the mapping which was carried out in 2004 and partially updated in 2006 and 2010. This updating did not bring to light any serious failings or shortcomings in the organisation of internal control.

It is supplemented by an annual review of the processes requiring special analysis with the main operational managers of the Group's various Divisions. These various initiatives enable annual internal audit plans to be drawn up, which are followed by action plans, the progress of which is examined every quarter by ERAMET's Executive Committee and by its Audit Committee.

The main operational and financial risks faced by the Group are described in the Reference Document in chapter 3, Risk Factors, and in the notes to the 2010 consolidated financial statements.

The operational risks are mainly managed at Division level, in a manner adapted to the specific business activities. Industrial and environmental risks are monitored by the Divisions, together with the Communications and Sustainable Development Department.

The liquidity, interest rate, exchange rate and commodity financial risks are managed by the Finance, Treasury and Insurance Department for the whole Group, together with the relevant contacts in the main subsidiaries.

In respect of the commodity risk, a "Nickel Committee" was established in 2006. It is composed of certain directors, on the one hand, and representatives of ERAMET's Management (including the CFO of SLN), on the other hand. It is responsible for advising the Group as regards the definition and implementation of policies to control the risks relating to Nickel price fluctuations.

Finally, the Finance Department, together with the Legal Department and the Division Managers, monitors the insurance risk hedging policy for all the Group's companies. The various insurance programmes are described in the Group's Reference Document.

### Summary of internal control procedures implemented in the Group

- **Existing charters:** the Audit Committee, the Internal Audit Department, the Legal Department, the Management Control Department, the Tax Department and the IT Department have all published a charter. The purpose of these charters is to specify the operating rules of the various committees or departments and to formalise relationships with other parties. Finally, following a recommendation from the Audit Committee, the Board adopted the Group Code of Conduct on 20 January 2010.
- **Signing authority, other powers:** The three Division Managers, who are Deputy CEOs have all the powers granted by law. The Group CFO has the authority granted by the Chairman and CEO to manage the Company's various bank accounts and to execute with a co-signer, appearing on an established list, all financial transactions, up to a maximum of one hundred million euros. He may also carry out alone, up to a maximum of the same amount, exchange, loan, advance or borrowing transactions over the telephone, and send any transfer order by fax, in favour of third parties with a confirmation call by the bank should the fax systems not be operational. These transactions must be confirmed in writing with a co-signer appearing on said list.
- **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 have been implemented and are ongoing in the various Divisions including, in particular, the implementation of integrated applications especially in respect of procurement, allowing for better control of commitments and the separation of tasks throughout the supply chain.
- **General organisation of procedures:** ERAMET has drawn up, and published within the Company and its subsidiaries, internal procedure manuals on capital expenditure, foreign currency hedging, management procedures (budgeting, planning, updating forecasts, analysis of over/under-runs, etc.), the consolidation manual and shared accounting rules, travel and expense accounts and financial procedures for cash. Three procedures relating to crisis scenario prevention and management have been established and distributed. These relate to the anticipation and identification of weak signals, major incidents and crisis management in respect of issues or events relating to the safety of facilities, property or persons, and the control of industrial and environmental risks.
- **Legal and operational control of subsidiaries by the parent company:**
  - owing to the diversity of their businesses, the Divisions are managed independently for their day-to-day management. Each Division has a Management Committee that makes all the decisions within its area of responsibility, reporting to the Group Comex on a regular basis;
  - under the authority of the CFO, the Legal Department, which reports to him, acts as Secretary to the Board for the main companies (Société Le Nickel-SLN, Comilog S.A.);
  - in 2008, the Board of Directors of Comilog S.A. appointed a Deputy Chairman and established an Audit Committee and a Compensation Committee. At the meeting of the Board of Directors of Le Nickel-SLN, held in November 2008, the directors representing ERAMET also proposed establishing three committees: a Strategy Committee, an Audit Committee and a Compensation Committee, as part of a modernised corporate governance system. This was implemented at the SLN Board Meeting of 17 November 2009 and has proved to be a very effective measure;
  - 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 CFOs, accountants, management controllers and treasurers, respectively, to deal with common issues and provide the necessary coordination. Specific meetings take place every month to discuss sales, accounting, treasury, insurance and other issues with the Divisions. Finally, specific budgeting, forecast updating and planning meetings are organised with the same participants as Division meetings to address these issues;
  - implementation of the internal audit plan: the Internal Audit Department carried out 12 assignments in 2010 throughout the Group's subsidiaries. The work carried out in 2010 did not reveal any serious failings or shortcomings in the organisation of internal control;
  - verification of investment strategies: Under the Capital Expenditure Procedure, all projects exceeding €4 million are submitted for approval at Division meetings on the basis of specific procedures (presentation dossier, approval meetings, follow-up, etc.). Capital expenditure projects are controlled and approved from a technical perspective by the Engineering Department, which reports to the Group Development Manager and, from a financial perspective, by the Administration & Financial Department. Strategic projects are presented to the Board of Directors of ERAMET;
  - monitoring commitments made and received: Independently of the abovementioned procedure, quarterly accounting reporting provides information on these commitments. Moreover, the Legal Department provides support for major contract negotiations or in the event of disputes.

#### Internal control system for the preparation of financial and accounting information.

- Organisation of accounting responsibilities with the Group: the Accounting Departments of the parent company and the subsidiaries record daily transactions (purchases, sales, cash flows, etc.) and ensure that the accounting methods comply with the procedures introduced by the Group. The Accounting, Tax and Consolidation Department, within the Group Administration and Finance Department, keeps the parent company's accounts, files the tax returns and all those relating to tax consolidation and publishes ERAMET's separate and consolidated financial statements. The necessary coordination with subsidiaries is provided by the Accounting/Management Committee, through monthly meetings attended by the CFOs, accountants and management controllers of the main Divisions and Subsidiaries.
- Consolidated financial statement preparation procedures: consolidation returns are input into the Business Objects Finance software by each subsidiary and Division-level consolidation is carried out by each Division under the supervision and with the support of the Central Consolidation Department. This Department also carries out Group consolidation. Consolidation is monthly with annual items (taxes, provisions, etc.) estimated at various times during the year.
- Accounting manual: the consolidation manual is distributed to all subsidiaries and contains the accounting rules which are common to the whole Group and which apply pursuant to the financial statements drawn up in compliance with IFRS. It sets out the measurement methods used by the Group and specifies the rules to be followed for drawing up the financial statements for consolidation milestones.
- Budget and management control: the budget is calculated at the end of the year for the following year and at least three forecast revisions are made during the year. The budgets and forecast revisions, and the associated action plans, are subject to formal validation by Division Management, the Group Comex and then by the Chairman and CEO of ERAMET. An analysis of the differences between the budget and actual figures is carried out on a monthly basis, firstly at Division, and then at Group, level. As a supplement to the financial statements, the Management Control Department prepares analyses of the Group's performance for the period.
- Cash and Financing control: besides its pivotal role in managing the exchange rate and commodity risk, the Group Administration and Finance Department sets up financing for the Group's main subsidiaries and makes financial investments, together with the managers of said subsidiaries. It centralises the cash forecasting of the main companies and assists them to determine payment methods for at-risk countries. At the end of 2004, the Group incorporated Metal Securities, a cash-pooling company for all Group companies. At the end of 2006, an "exchange rate guarantee" company, Metal Currencies was established to centralise foreign exchange transactions, which had in the past been recognised in the financial statements of each Group entity. Both Metal Securities and Metal Currencies are subject to governance established in full collaboration with the managers of the relevant subsidiaries.
- Work of the Board of Directors' Audit Committee: the Audit Committee reviews the interim and annual financial statements, monitors major disputes, compliance with procedures of the exchange rate and commodity management policies and the hedging policies. It reviews the internal audit plan and the initiatives decided upon based on the audits carried out.
- Liaison with the Statutory Auditors: the Auditors carry-out half-yearly reviews of the financial statements for which validation meetings are held with the Finance Departments of the Divisions and the Group, with the Division Managers and finally with the Chairman and CEO of ERAMET.

## 4.1.2.3. OTHER ITEMS

### MEANS OF SHAREHOLDER PARTICIPATION AT GENERAL SHAREHOLDERS' MEETINGS

The means by which Shareholders may participate at General Shareholders' Meetings are set out in Articles 8, 21, 22 and 23 of the Articles of Association.

### INFORMATION REQUIRED UNDER ARTICLE L. 225-100-3 OF THE FRENCH COMMERCIAL CODE

The information required under Article L. 225-100-3 of the French Commercial Code (factors likely to have an impact in the event of a public offer) is published in ERAMET's Reference Document.

Paris, 16 February 2011

The Chairman of the Board of Directors

## 4.1.3. Statutory Auditors' report drawn up under Article L. 225-235 of the French Commercial Code on the report from the Chairman of the Board of Directors of ERAMET – 2010 financial year

To the Shareholders,

In our capacity as statutory auditors of ERAMET and in accordance with Article L. 225-235 of the French Commercial Code *(Code de commerce),* we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L. 225-37 of the French Commercial Code for the year ended 31 December 2010.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report on the internal control and risk management procedures implemented by the Company and containing the other disclosures required by Article L. 225-37 of the French Commercial Code, particularly in terms of corporate governance.

It is our responsibility:

- to report to you on the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information; and
- to attest that this report contains the other disclosures required by Article L. 225-37 of the French Commercial Code, it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

### INFORMATION ON THE INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures mainly consisted in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and the existing documentation;
- determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the Company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with Article L. 225-37 of the French Commercial Code.

### OTHER DISCLOSURES

We hereby attest that the Chairman's report includes the other disclosures required by Article L. 225-37 of the French Commercial Code.

Neuilly-sur-Seine, 4 March 2011

The Statutory Auditors

ERNST & YOUNG et Autres
Aymeric de la MORANDIÈRE

Deloitte & Associés
Alain PENANGUER

# 4.2. LIST OF OTHER POSITIONS HELD BY MEMBERS OF THE BOARD OF DIRECTORS AND GENERAL MANAGEMENT

| Surname, first name or corporate name<br>Main duties<br>Family connection<br>Expertise | Date of first appointment | Most recent reappointment and expiry date of term of office | Other positions held |
|---|---|---|---|
| **BUFFET Patrick**<br>Director,<br>Chairman and CEO<br>since 25 April 2007<br>Born on 19 October 1953<br>(57 years old)<br>Business address:<br>Tour Maine Montparnasse<br>33, avenue du Maine<br>75015 Paris<br>Mr BUFFET is a mining engineer. He was Senior Executive Vice President of Suez until 2007. | Director:<br>Co-opted by the Board Meeting of 7 March 2007 to replace Mr François HENROT, who resigned<br>Chairman and CEO<br>Board Meeting of 25 April 2007 | General Shareholders' Meeting of 25 April 2007 for a four-year term.<br>Expiry date<br>General Shareholders' Meeting called to approve the 2010 financial statements. | **In Group companies**<br>• Chairman and CEO of Société Le Nickel-SLN<br>• Director of Comilog S.A.<br>**In non-Group companies**<br>• Member of the Supervisory Board of Arcole Industries (unlisted)<br>• Director of Rhodia, Bureau Veritas, Banimmo (Belgium)<br>**Offices held and completed during the past five years**<br>• Member of Supervisory Board of:<br>- AREVA<br>- Astorg-Partners<br>• Director of:<br>- CDC Ixis<br>- Subsidiaries majority-owned by the Suez Group: Suez Energy Services; Tractebel (Belgium), Electrabel (Belgium), Société Générale de Belgique (Belgium), Fluxys (Belgium) |
| **DUVAL Georges**<br>Director,<br>Vice-Chairman<br>Deputy CEO<br>Born on 3 May 1946<br>(64 years old)<br>Business address:<br>Tour Maine Montparnasse<br>33, avenue du Maine<br>75015 Paris<br>Brother of Édouard DUVAL, cousin of Cyrille and Patrick DUVAL<br>Mr DUVAL is Vice-Chairman of the Board and Deputy CEO of ERAMET, Manager of SORAME and CEO of CEIR. | General Shareholders' Meeting of 21 July 1999<br>Vice-Chairman of the Board:<br>Board Meeting of 13 September 2000<br>Deputy CEO:<br>Board Meeting of 23 May 2002 | Reappointment:<br>General Shareholders' Meeting of 21 May 2003 and General Shareholders' Meeting of 25 April 2007 for a four-year term<br>Expiry date<br>General Shareholders' Meeting called to approve the 2010 financial statements. | **In Group companies**<br>• Chairman:<br>- Aubert & Duval (SAS); Sima (SAS);<br>- ERAMET Alloys; Erasteel SAS)<br>**In non-Group companies**<br>• Manager of SORAME SCA<br>• CEO of CEIR<br>**Offices held and completed during the past five years**<br>• Chairman of UKAD (SAS) |
| **DUVAL Édouard**<br>Director,<br>Born on 2 December 1944<br>(66 years old)<br>Business address:<br>Tour Maine Montparnasse<br>33, avenue du Maine<br>75015 Paris<br>Brother of Georges DUVAL, cousin of Cyrille and Patrick DUVAL<br>Mr DUVAL is Chairman of ERAMET International and Chairman of the Management Board of SORAME and CEO of CEIR. | General Shareholders' Meeting of 21 July 1999 | Reappointment:<br>General Shareholders' Meeting of 21 May 2003 and General Shareholders' Meeting of 25 April 2007 for a four-year term<br>Expiry date<br>General Shareholders' Meeting called to approve the 2010 financial statements. | **In Group companies**<br>• Director of Société Le Nickel-SLN<br>• Chairman of ERAMET International (SAS)<br>• Deputy CEO of S.I.M.A. (SAS)<br>**In non-Group companies**<br>• Chairman of the Management Board of SORAME SCA<br>• CEO of CEIR |

| Surname, first name or corporate name<br>Main duties<br>Family connection<br>Expertise | Date of first appointment | Most recent reappointment and expiry date of term of office | Other positions held |
|---|---|---|---|
| **DUVAL Patrick**<br>Director,<br>Born on 15 May 1941<br>(69 years old)<br>Address:<br>c/o ERAMET<br>Tour Maine Montparnasse<br>33, avenue du Maine<br>75015 Paris<br>Brother of Cyrille DUVAL, cousin of Georges and Édouard DUVAL<br>Mr DUVAL is Chairman of CEIR and Manager of SORAME. | General Shareholders' Meeting of 21 July 1999 | Reappointment: General Shareholders' Meeting of 21 May 2003 and General Shareholders' Meeting of 25 April 2007 for a four-year term<br>Expiry date General Shareholders' Meeting called to approve the 2010 financial statements. | **In Group companies**<br>• CEO of S.I.M.A.<br>**In non-Group companies**<br>• Chairman of CEIR<br>• Manager of SORAME SCA<br>• Director of Cartonneries de Gondardennes SA<br>• Manager of SCI Compagnie Franroval, SCI Les Bois de Batonceau, SCI de la Plaine, SCEA Les Terres d'Orphin |
| **DUVAL Cyrille**<br>Director,<br>Born on 18 July 1948<br>(62 years old)<br>Business address:<br>Tour Maine Montparnasse<br>33, avenue du Maine<br>75015 Paris<br>Brother of Patrick DUVAL, cousin of Georges and Édouard DUVAL<br>Mr DUVAL is General Secretary of the Alloys Division and Manager of SORAME and CEO of CEIR. | General Shareholders' Meeting of 21 July 1999 | Reappointment: General Shareholders' Meeting of 21 May 2003and General Shareholders' Meeting of 25 April 2007for a four-year term<br>Expiry date General Shareholders' Meeting called to approve the 2010 financial statements. | **In Group companies**<br>• Deputy CEO of S.I.M.A.<br>• Director of Metal Securities (permanent representative of S.I.M.A.)<br>• Director of Comilog<br>• Chairman of AD TAF and of Forges de Montplaisir<br>• Manager of Transmet and of SCI Grande Plaine<br>**In non-Group companies**<br>• CEO of CEIR<br>• Manager of SORAME |
| **GIRAUD Pierre-Noël**<br>Director,<br>Born on 8 March 1949<br>(61 years old)<br>Business address:<br>CERNA<br>60, boulevard Saint-Michel<br>75272 Paris Cedex 06<br>Mr GIRAUD is an economics lecturer at Mines Paris Tech and at Paris-Dauphine University. | General Shareholders' Meeting of 21 May 2003 | Reappointment: General Shareholders' Meeting of 25 April 2007 for a four-year term.<br>Expiry date General Shareholders' Meeting called to approve the 2010 financial statements. | **In non-Group companies**<br>• Lecturer at Mines Paris Tech and Paris Dauphine University<br>• Director of Areva N.C.<br>**Offices held and completed during the past five years**<br>None |
| **LEHMANN Gilbert**<br>Director,<br>Vice-Chairman<br>Born on 28 September 1945<br>(65 years old)<br>Business address:<br>AREVA<br>33, rue Lafayette<br>75009 Paris<br>Mr LEHMANN has worked for the AREVA Group for 25 years where he is currently an Advisor on the Management Board after having held the position of Deputy CEO (until 2006). | Co-opted by the Board Meeting of 13 December 2005 | Co-opting ratified: General Shareholders' Meeting of 27 April 2006 called to approve the 2005 financial statements.<br>Reappointment: General Shareholders' Meeting of 25 April 2007 for a four-year term.<br>Expiry date General Shareholders' Meeting called to approve the 2010 financial statements. | **In non-Group companies**<br>• Director and Vice-Chairman of the Board of Directors of ST Microelectronics N.V. (The Netherlands)<br>• Member of the Supervisory Board and Audit Committee of Assystem SA<br>• Chairman of the Supervisory Board of Linas<br>**Offices held and completed during the past five years**<br>*In France:*<br>• Director and Chairman of the Board of Directors of SEPI (Switzerland) (until 2010)<br>• Director of Framatome ANP; Sofinel; Framatome Connectors International (FCI); Compagnie Technique d'Assurances (CTA); Framapare; CNS; Intercontrôle<br>• Chairman of the Board of Directors of Compagnie d'Études et de Recherche pour l'Énergie (CERE)<br>*Abroad: (United States)*<br>• Director of Framatome Technologies; FC USA; Canberra |

| Surname, first name or corporate name Main duties Family connection Expertise | Date of first appointment | Most recent reappointment and expiry date of term of office | Other positions held |
|---|---|---|---|
| **LORENZI Jean-Hervé**<br>Director,<br>Born on 24 July 1947<br>(63 years old)<br>Business address:<br>232 boulevard Saint Germain<br>75007 Paris<br>Mr LORENZI is a member of the French Economic Analysis Council and economics lecturer at Paris Dauphine University. | General Shareholders' Meeting of 13 May 2009 | Expiry date General Shareholders' Meeting called to approve the 2012 financial statements. | **In non-Group companies**<br>• Member of the French Economic Analysis Council<br>• Economics lecturer at Paris Dauphine University<br>• Advisor on the Management Board of Compagnie financière Edmond de Rothschild, Chairman of the Supervisory Board of Edmond de Rothschild Investment Partners and Edmond de Rotschild Capital Partners, member of the Supervisory Boards of Compagnie Financière Saint-Honoré, SIACI Saint Honoré, and Newstone Courtage<br>• Director of BNP Paribas Assurances, Crédit Foncier de France<br>• Member of the Supervisory Board of Euler Hermes<br>• Observer with Associés en Finance<br>**Offices held and completed during the past five years**<br>• Director of Editis, GFI Informatique |
| **MAPOU Louis**<br>Director,<br>Born on14 November 1958<br>(52 years old)<br>Business address:<br>STCPI<br>Immeuble Carcopino 3000<br>98845 Nouméa Cedex<br>Mr MAPOU is Chairman of the STCPI. | Co-opted by the Board Meeting of 29 March 2001 (Ratification by the General Shareholders' Meeting of 30 May 2001) | Reappointment: General Shareholders' Meeting of 21 May 2003and General Shareholders' Meeting of 25 April 2007for a four-year term Expiry date General Shareholders' Meeting called to approve the 2010 financial statements. | **In non-Group companies**<br>• Chairman of the STCPI (New Caledonia)<br>• CEO of Sofinor (New Caledonia)<br>**Offices held and completed during the past five years**<br>• Director of Société Le Nickel-SLN |
| **DE MONTESSUS Sébastien**<br>Director,<br>Born on 2 December 1974<br>(36 years old)<br>Business address:<br>AREVA<br>33, rue Lafayette<br>75009 Paris<br>Mr DE MONTESSUS is a member of the Executive Committee and Manager of the Mines Business Group of AREVA. | General Shareholders' Meeting of 21 May 2003 | Reappointment: General Shareholders' Meeting of 25 April 2007for a four-year term. Expiry date General Shareholders' Meeting called to approve the 2010 financial statements. | **In non-Group companies**<br>• Member of the Executive Committee of AREVA<br>• Manager of the Mines Business Group of AREVA<br>• Chairman and CEO of CFMM (France), CFM (France)<br>• Chairman of Uramin Holding (France), of UG GmbH (Germany), of Areva Resources Canada Inc (Canada), Areva Resources Southern Africa (United Kingdom)<br>• Director of La Mancha Resources Inc (Canada), Katco (Kazakhstan), Areva Mongol xxk (Mongolia), Somair (Niger), Imouraren (Niger), Cominak (Niger)<br>• Permanent representative of AREVA on the Boards of Nabatean Energy (France), Areva Resources Centrafrique, Arevexplo RCA (Central African Republic)<br>• Member of the Supervisory Board of Areva Med LLC (United States)<br>• Representative of the Management Committee at Mc Clean Lake JV and Cigar Lake JV (Canada)<br>**Offices held and completed during the past five years**<br>• Chairman of CFMM Holding Australia Pty Ltd and CFMM Development Australia Pty |

| Surname, first name<br>or corporate name<br>Main duties<br>Family connection<br>Expertise | Date of first appointment | Most recent reappointment and expiry date of term of office | Other positions held |
|---|---|---|---|
| **QUINTARD Michel**<br>Director,<br>Born on 1 August 1946<br>(64 years old)<br>Business address:<br>BP 1109<br>98845 Nouméa Cedex<br>Mr QUINTARD is technical advisor to the Chamber of Commerce and Industry of New Caledonia which he chaired from 1998 to 2005. | Co-opted by the Board Meeting of 15 December 2010 to replace Mr FROGIER, who resigned. | Expiry date<br>General Shareholders' Meeting called to approve the 2012 financial statements. | **In Group companies**<br>• Director of Société Le Nickel-SLN<br>**In non-Group companies**<br>• Manager of Locauto, a subsidiary of the CFAO Group<br>• Foreign trade advisor, technical advisor to the CCI of NC<br>**Offices held and completed during the past five years**<br>• Director of Vale NC |
| **ROSSIGNOL Jacques**<br>Director,<br>Born on 6 February 1940<br>(70 years old)<br>Business address:<br>c/o ERAMET<br>Tour Maine Montparnasse<br>33, avenue du Maine<br>75015 Paris<br>Mr ROSSIGNOL is former CEO of Safran and of Arianespace. | General Shareholders' Meeting of 21 July 1999 | Reappointment:<br>General Shareholders' Meeting of 21 May 2003 and General Shareholders' Meeting of 25 April 2007for a four-year term<br>Expiry date<br>General Shareholders' Meeting called to approve the 2010 financial statements. | **Offices held and completed during the past five years**<br>• Chairman and CEO of CFMI |
| **SOMNOLET Michel**<br>Director,<br>Born on 6 February 1940<br>(70 years old)<br>Business address:<br>c/o ERAMET<br>Tour Maine Montparnasse<br>33, avenue du Maine<br>75015 Paris<br>Mr SOMNOLET is former Director, Vice-Chairman and CEO in charge of Administration and Finance of L'Oréal (until 2002). | General Shareholders' Meeting of 21 May 2003 | Reappointment:<br>General Shareholders' Meeting of 25 April 2007for a four-year term.<br>Expiry date<br>General Shareholders' Meeting called to approve the 2010 financial statements. | **In non-Group companies**<br>• Director and member of the Compensation Committee of L'Oréal USA<br>**Offices held and completed during the past five years**<br>• Director and Vice Chairman of the Board of L'Oréal Morocco<br>• Director of Perinvest Dividend Equity Fund |
| **AREVA**<br>Director,<br>Represented by<br>**Frédéric TONA**<br>Permanent representative of AREVA on the Board of Directors<br>Born on 27 August 1947<br>(63 years old)<br>Address:<br>AREVA<br>For the attention of Frédéric Tona<br>33, rue Lafayette<br>75009 Paris<br>Mr TONA has been working for the AREVA Group for 30 years. | Co-opted by the Board Meeting of 27 March 2002 | Co-opting ratified:<br>General Shareholders' Meeting of 23 May 2002<br>Reappointment:<br>General Shareholders' Meeting of 25 April 2007 for a four-year term.<br>Expiry date<br>General Shareholders' Meeting called to approve the 2010 financial statements. | **In non-Group companies**<br>• Chairman of Somaïr (Niger)<br>• Director of OSEAD (SAS) (France), of OSEAD (Mauritania), of OMM (Morocco), of CMT (Morocco),of Cominak (Niger), of Imouraren (Niger), of CFMM (France) and of Fondation d'Entreprise AREVA<br>**Offices held and completed during the past five years**<br>• Director and Chairman of Uramin Inc (BVI) (until 31 December 2008) |

| Surname, first name<br>or corporate name<br>Main duties<br>Family connection<br>Expertise | Date of first appointment | Most recent reappointment and expiry date of term of office | Other positions held |
|---|---|---|---|
| **TREUILLE Antoine**<br>Director,<br>Born on 7 October 1948<br>(62 years old)<br>Business address:<br>French American Foundation<br>28 West 44th Street<br>Suite 1420<br>New York, NY 10036<br>USA<br>Mr TREUILLE is Executive Managing Director of Altamont Capital Partners LLC. | General Shareholders' Meeting of 21 July 1999 | Reappointment: General Shareholders' Meeting of 21 May 2003and General Shareholders' Meeting of 25 April 2007 for a four-year term<br>Expiry date General Shareholders' Meeting called to approve the 2010 financial statements. | **In non-Group companies**<br>• Chairman of the French American Foundation (United States)<br>• Executive Managing Director: Altamont Capital Partners, LLC (United States); Mercantile Capital Partners LLC(United States)<br>• Chairman of Charter Pacific Corporation (United States), Partex Corporation (United States)<br>• Director: Harris Interactive, Inc. (United States), Imperial Headwaer,Inc. (United States)<br>**Offices held and completed during the past five years**<br>• Director of BIC SA (France), Harlem Furniture, LLC (United States) and until 2009.<br>• Skip's Clothing, Inc. (until May 2007) |
| **MADELIN Bertrand**<br>Deputy CEO<br>(non director)<br>Born on13 September 1954<br>(56 years old)<br>Business address:<br>Tour Maine Montparnasse<br>33, avenue du Maine<br>75015 Paris<br>Mr MADELIN is Deputy CEO. | Appointed by the Board Meeting of 12 December 2007 | | **In Group companies**<br>• Director of Société Le Nickel-SLN and of Strand Minerals (Indonesia) Pte Ltd (Singapore)<br>• Director and member of the Board of Commissioners of PT Weda Bay Nickel (Indonesia)<br>• Chairman of Eurotungstène<br>**Offices held and completed during the past five years**<br>• Director of ERAMET Norway, ERAMET Marietta, Comilog France, Guanxi Comilog, Guilin Comilog, Comilog Asia, Comilog Far East Development<br>• Chairman of Comilog Italia |
| **VECTEN Philippe**<br>Deputy CEO<br>(non director)<br>Born on 22 April 1949<br>(61 years old)<br>Business address:<br>Tour Maine Montparnasse<br>33, avenue du Maine<br>75015 Paris<br>Mr VECTEN is Deputy CEO. | Appointed by the Board Meeting of 23 May 2007 | | **In Group companies**<br>• Director of Comilog S.A.; Comilog US; Société Le Nickel-SLN; Setrag; Maboumine;<br>• Chairman of ECM and of Eralloys Holding AS<br>• Manager of Comilog Holding<br>**Offices held and completed during the past five years**<br>• Director of Tinfos International (until January 2010) |

No information falling within the scope of Section 14.1 of Annex 1 to EC Regulation No. 809/2004, other than that set out above, needs to be disclosed.

# 4.3. SHARES HELD BY MEMBERS OF THE BOARD OF DIRECTORS AND GENERAL MANAGEMENT

Some directors have a material interest in the Company's share capital.

## 4.3.1. Indirect interests

Patrick Duval is Chairman of CEIR, Édouard Duval is Chairman of the Management Board of SORAME, Georges, Édouard, Cyrille and Patrick Duval are shareholders of SORAME and CEIR.

## 4.3.2. Direct interests

| Shares held on 31 December 2010 | Equities | Voting rights |
|---|---|---|
| Patrick Buffet | 10,010 | 10,020 |
| Cyrille Duval | 507 | 813 |
| Édouard Duval | 465 | 729 |
| Georges Duval | 1,209 | 1,810 |
| Patrick Duval | 102 | 152 |
| Pierre-Noël Giraud | 10 | 20 |
| Gilbert Lehmann | 100 | 200 |
| Jean-Hervé Lorenzi | 1 | 1 |
| Louis Mapou | 1 | 1 |
| Sébastien de Montessus | 1 | 1 |
| Michel Quintard | 100 | 100 |
| Jacques Rossignol | 10 | 20 |
| Michel Somnolet | 100 | 200 |
| Antoine Treuille | 160 | 320 |
| AREVA | 6,810,317 | 13,567,594 |
| Frédéric Tona | 102 | 103 |
| Bertrand Madelin | 2,400 | 4,650 |
| Philippe Vecten | 1,150 | 1,300 |

No director has a direct material interest in any Group subsidiary. No director is subject to a conflict of interest within the meaning of Section 14.2 of Annex 1 to EC Regulation No. 809/2004 or has entered into a service agreement with ERAMET.

## 4.3.3. Loans and guarantees granted or arranged

The Company has not granted or arranged any loans or guarantees for the benefit of members of the administrative, management or supervisory bodies.

# 4.4. REMUNERATION OF CORPORATE OFFICERS

## 4.4.1. Directors' fees

The amount of directors' fees paid to ERAMET's corporate officers in January 2011 in respect of 2010 amounted to €398,450 (€383,025 in 2009). The total allowance allocated to the Board of Directors was set at €550,000 at the General Shareholders' Meeting of 16 April 2008 (sixth resolution), to be distributed freely amongst the directors by the Board of Directors.

The directors' fees for 2010 were distributed on the following basis:

- annual fixed amount of €12,000;
- amount of €1,000 for each actual attendance at Board Meetings;
- annual fixed amount of €8,000 for Audit Committee members;
- amount of €1,000 for each actual attendance at Audit Committee Meetings;
- annual fixed amount of €8,000 for members of the Compensation Committee;
- amount of €1,000 for each actual attendance at Compensation Committee Meetings.

Moreover, a €1,525 travel allowance is paid to each director living abroad, when he actually travels, for each Board Meeting (and Committee meeting if such a meeting is held more than 48 hours before or after a Board Meeting).

The directors' fees paid to ERAMET's directors by other companies in the Group amounted to an overall total of €74,000 in 2010 (€66,479 in 2009).

The breakdown of directors' fees paid at the beginning of 2011 for 2010 is as follows (in euros and before deductions at source):

| | ERAMET | Other companies | Total 2010 | Total 2009 | Total 2008 |
|---|---|---|---|---|---|
| Rémy Autebert (5) | 7,525 | | **7,525** | 21,050 | 16,525 |
| Patrick Buffet (1) | 22,000 | 43,500 | **65,500** | 57,486 | 44,580 |
| Cyrille Duval (1) | 22,000 | 17,000 | **39,000** | 38,000 | 32,600 |
| Édouard Duval (1) | 22,000 | 13,500 | **35,500** | 30,993 | 20,830 |
| Georges Duval (1) | 22,000 | | **22,000** | 21,000 | 19,000 |
| Patrick Duval | 22,000 | | **22,000** | 21,000 | 18,000 |
| Pierre Frogier (2) | 14,575 | | **14,575** | 1,000 | - |
| Pierre-Noël Giraud | 19,000 | | **19,000** | 17,000 | 17,000 |
| Gilbert Lehmann | 34,000 | | **34,000** | 31,000 | 31,000 |
| Jean-Hervé Lorenzi (3) | 21,000 | | **21,000** | 10,000 | |
| Louis Mapou | 13,000 | | **13,000** | 18,525 | 22,405 |
| Harold Martin (4) | | | | 10,000 | 18,050 |
| Sébastien de Montessus (6) | 10,000 | | **10,000** | | |
| Michel Quintard (7) | 3,525 | | **3,525** | | |
| Jacques Rossignol | 33,000 | | **33,000** | 34,000 | 35,000 |
| Michel Somnolet | 56,675 | | **56,675** | 61,250 | 62,250 |
| Frédéric Tona | 33,000 | | **33,000** | 34,000 | 35,000 |
| Antoine Treuille | 43,150 | | **43,150** | 43,200 | 43,200 |
| **Total** | **398,450** | **74,000** | **472,450** | **449,504** | **415,440** |

*(1) Other remuneration: refer to the Chapter on remuneration of corporate officers below.*
*(2) Appointed at the Board of Directors' Meeting of 26 November 2009 – Resigned in 2010.*
*(3) Appointed at the General Shareholders' Meeting of 13 May 2009.*
*(4) Resigned at the Board of Directors' Meeting of 26 November 2009.*
*(5) Resigned at the Board of Directors' Meeting of 20 May 2010.*
*(6) Appointed at the Board of Directors' Meeting of 20 May 2010.*
*(7) Appointed at the Board of Directors' Meeting of 15 December 2010.*

## 4.4.2. Total remuneration and benefits of corporate officers and Comex members

Details of the individual breakdown of the gross amount of compensation owed for 2010 to corporate officers and members of the Group Executive Committee ("Comex") are as follows:

### Summary table of the remuneration and options and shares allocated to each corporate officer and/or Comex member

| *In euros* | Remuneration owed for financial year (detailed in the table below) | | Valuation of performance/ bonus shares/options granted during the financial year | | Total | Total |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| **Patrick Buffet** (1) | 1,560,543 | 1,352,706 | 1,224,291 | | 2,784,834 | 1,352,706 |
| Chairman and CEO | | | | | | |
| **Georges Duval** (1) | 430,107 | 412,670 | 225,936 | | 656,043 | 412,670 |
| Deputy CEO | | | | | | |
| **Bertrand Madelin** (1) | 357,512 | 320,368 | 216,051 | | 573,563 | 320,368 |
| Deputy CEO | | | | | | |
| **Philippe Vecten** (1) | 464,202 | 431,012 | 263,357 | | 727,559 | 431,012 |
| Deputy CEO | | | | | | |
| **Édouard Duval** | 331,290 | 297,238 | 84,726 | | 416,016 | 297,238 |
| Manager of ERAMET International | | | | | | |
| **Cyrille Duval** | 258,506 | 254,630 | 88,962 | | 346,973 | 254,630 |
| General Secretary of the Alloys Division | | | | | | |
| **Total corporate officers** | 3,402,160 | 3,068,624 | 2,103,323 | 0 | 5,504,988 | 3,068,624 |
| **Michel Carnec** (1) (2) | 691,354 | 124,307 | 239,685 | 0 | 931,039 | 124,307 |
| Human Resources Manager | | | | | | |
| **Jean-Didier Dujardin** (1) | 452,128 | 390,098 | 282,754 | 757 | 734,882 | 390,855 |
| Chief Financial Officer | | | | | | |
| **Catherine Tissot-Colle** (1) | 219,311 | 195,876 | 164,138 | 757 | 383,449 | 196,633 |
| Communications and Sustainable Development Manager | | | | | | |
| **Total corporate officers and Comex** | **4,764,953** | **3,778,905** | **2,789,900** | **2,271** | **7,554,358** | **3,782,690** |

*(1) Member of the Comex.*
*(2) Since 7 September 2009.*

## Summary table of the remuneration of each corporate officer and/or Comex member

| | Amount owed for 2010 financial year | | Amount owed for 2010 financial year | |
|---|---|---|---|---|
| | Owed | Paid | Owed | Paid |
| **Patrick Buffet** | | | | |
| **Chairman and CEO** | | | | |
| Fixed remuneration | 711,018 | 711,018 | 646,380 | 646,380 |
| Variable remuneration | 775,725 | 640,540 | 640,540 | 604,636 |
| Directors' fees | 65,500 | 57,486 | 57,486 | 44,580 |
| Benefits in kind (1) | 8,300 | 8,300 | 8,300 | 8,300 |
| **Total** | **1,560,543** | **1,417,344** | **1,352,706** | **1,303,896** |
| **Georges Duval** | | | | |
| **Deputy CEO** | | | | |
| Fixed remuneration | 278,192 | 278,192 | 256,263 | 256,263 |
| Variable remuneration | 126,524 | 132,818 | 132,818 | 84,407 |
| Directors' fees | 22,000 | 21,000 | 21,000 | 19,000 |
| Benefits in kind (1) | 3,391 | 3,391 | 2,589 | 2,589 |
| **Total** | **430,107** | **435,401** | **412,670** | **362,259** |
| **Bertrand Madelin** | | | | |
| **Deputy CEO** | | | | |
| Fixed remuneration | 225,720 | 225,720 | 209,000 | 209,000 |
| Variable remuneration | 104,410 | 94,859 | 94,859 | 49,638 |
| Directors' fees | 23,000 | 11,979 | 11,979 | 11,979 |
| Benefits in kind (1) | 4,382 | 4,382 | 4,530 | 4,530 |
| **Total** | **357,512** | **336,940** | **320,368** | **275,147** |
| **Philippe Vecten** | | | | |
| **Deputy CEO** | | | | |
| Fixed remuneration | 275,512 | 275,512 | 264,915 | 264,915 |
| Variable remuneration | 140,673 | 123,517 | 123,517 | 112,274 |
| Directors' fees | 42,437 | 37,000 | 37,000 | 37,000 |
| Benefits in kind (1) | 5,580 | 5,580 | 5,580 | 5,580 |
| **Total** | **464,202** | **441,609** | **431,012** | **419,769** |
| **Édouard Duval** | | | | |
| **Manager of ERAMET International** | | | | |
| Fixed remuneration | 268,900 | 268,900 | 266,245 | 266,245 |
| Variable remuneration | 26,890 | 0 | 0 | 9,315 |
| Directors' fees | 35,500 | 30,993 | 30,993 | 30,993 |
| Benefits in kind | 0 | 0 | 0 | 0 |
| **Total** | **331,290** | **299,893** | **297,238** | **306,553** |
| **Cyrille Duval** | | | | |
| **General Secretary of the Alloys Division** | | | | |
| Fixed remuneration | 187,169 | 187,169 | 182,477 | 182,477 |
| Variable remuneration | 29,881 | 30,682 | 31,578 | 25,824 |
| Directors' fees | 39,000 | 38,000 | 38,000 | 38,000 |
| Benefits in kind (1) | 2,456 | 2,456 | 2,575 | 2,575 |
| **Total** | **258,506** | **258,307** | **254,630** | **248,876** |
| **Sub-Total corporate officers** | **3,402,160** | **3,189,494** | **3,068,624** | **2,916,500** |

*(1) This relates to the provision of a company car.*

| | Amount owed for 2010 financial year | | Amount owed for 2010 financial year | |
|---|---|---|---|---|
| | Owed | Paid | Owed | Paid |
| **Michel Carnec** (2) | | | | |
| **Human Resources Manager** | | | | |
| Fixed remuneration | 250,000 | 250,000 | 81,057 | 81,057 |
| Variable remuneration | 120,000 | 42,000 | 42,000 | 0 |
| Exceptional remuneration (3) | 300,000 | 300,000 | | |
| Directors' fees | 17,000 | 0 | 0 | 0 |
| Benefits in kind (1) | 4,354 | 4,354 | 1,250 | 1,250 |
| **Total** | **691,354** | **596,354** | **124,307** | **82,307** |
| **Jean-Didier Dujardin** | | | | |
| **Chief Financial Officer** | | | | |
| Fixed remuneration | 294,840 | 294,840 | 283,500 | 283,500 |
| Variable remuneration | 110,860 | 68,677 | 68,677 | 55,120 |
| Directors' fees | 40,500 | 31,993 | 31,993 | 31,993 |
| Benefits in kind (1) | 5,928 | 5,928 | 5,928 | 5,928 |
| **Total** | **452,128** | **401,438** | **390,098** | **376,541** |
| **Catherine Tissot-Colle** | | | | |
| **Communications and Sustainable Development Manager** | | | | |
| Fixed remuneration | 171,384 | 171,384 | 157,500 | 157,500 |
| Variable remuneration | 44,988 | 35,437 | 35,437 | 38,272 |
| Directors' fees | 0 | 0 | 0 | 0 |
| Benefits in kind (1) | 2,939 | 2,939 | 2,939 | 2,939 |
| **Total** | **219,311** | **209,760** | **195,876** | **198,711** |
| **Total corporate officers and Comex** | **4,764,953** | **4,397,046** | **3,778,905** | **3,574,059** |

*(1) This relates to the provision of a company car.*
*(2) Since 7 September 2009.*
*(3) Contractual hiring provisions.*

The top ten earners at ERAMET in respect of 2010 received total remuneration of €4,504,802, as certified by the Statutory Auditors.

No share subscription or purchase options were allocated to the corporate officers during the financial year. No bonus share became available for a corporate officer during the financial year.

Performance shares were allocated to the corporate officers during the financial year (see below) and to 156 senior executives of the ERAMET Group. In addition, all the Group's employees received two bonus shares pursuant to the 2010 Erashare plan for the allocation of bonus shares to all employees.

## Performance shares allocated to each corporate officer during the financial year

| | No. and date of plan | Number of shares allocated | Valuation of shares | Acquisition date | Availability date | Performance conditions |
|---|---|---|---|---|---|---|
| | | | | | | See below |
| P. Buffet | 20/05/2010 | 8,670 | 1,224,291 | 20/05/2013 | 20/05/2015 | |
| G. Duval | 20/05/2010 | 1,600 | 225,936 | 20/05/2013 | 20/05/2015 | |
| B. Madelin | 20/05/2010 | 1,530 | 216,051 | 20/05/2013 | 20/05/2015 | |
| P. Vecten | 20/05/2010 | 1,865 | 263,357 | 20/05/2013 | 20/05/2015 | |
| E. Duval | 20/05/2010 | 600 | 84,726 | 20/05/2013 | 20/05/2015 | |
| C. Duval | 20/05/2010 | 630 | 88,962 | 20/05/2013 | 20/05/2015 | |
| **Total** | | **14,895** | **2,103,323** | **20/05/2013** | **20/05/2015** | |

Details of performance conditions are provided in the report from the Chairman of the Board of Directors on internal control.

### Record of share subscription option/purchase option/bonus share grants

| Plan | Plan D | Plan G | Plan H | Plan I | Plan J | Plan K | Plan L | Plan M |
|---|---|---|---|---|---|---|---|---|
| Date of General Shareholders' Meeting | 27/05/1998 | 23/05/2002 | 11/05/2005 | 11/05/2005 | 11/05/2005 | 13/05/2009 | 20/05/2010 | 20/05/2010 |
| Date of Board meeting | 12/12/2001 | 15/12/2004 | 13/12/2005 | 25/04/2007 | 23/07/2007 | 29/07/2009 | 20/05/2010 | 20/05/2010 |
| Type of plan | Subscription | Subscription | Bonus shares | Bonus shares | Bonus shares | Bonus shares | Bonus shares | Performance shares |
| Number of options granted at the outset | 153,000 | 130,000 | 14,000 | 10,000 | 16,000 | 73,725 | 28,818 | 65,008 |
| Number of beneficiaries at the outset | 61 | 80 | 90 | 1 | 61 | 14,745 | 14,409 | 162 |
| Total number of shares that can be subscribed for/purchased/acquired | | | | | | | | |
| • by the corporate officers at the outset, including: | 66,000 | 31,500 | 3,400 | 10,000 | 13,550 | 0 | 0 | 14,895 |
| - Patrick Buffet | | | | 10,000 | | | | 8,670 |
| *Number outstanding on 01/01/2011* | - | - | - | *10,000* | - | - | - | *8,670* |
| - Georges Duval | 6,000 | 6,000 | 600 | - | 600 | - | - | 1,600 |
| *Number outstanding on 01/01/2011* | *0* | *6,000* | *0* | | *600* | | | *1,600* |
| - Bertrand Madelin | 2,500 | 2,000 | 250 | - | 150 | - | - | 1,530 |
| *Number outstanding on 01/01/2011* | *0* | *0* | *0* | | *150* | | | *1,530* |
| - Philippe Vecten | 4,000 | 3,000 | 150 | - | 1,000 | - | - | 1,865 |
| *Number outstanding on 01/01/2011* | *0* | *0* | *0* | | *1,000* | | | *1,865* |
| - Édouard Duval | 2,500 | 1,500 | 100 | - | 200 | - | - | 600 |
| *Number outstanding on 01/01/2011* | *0* | *1,500* | *0* | | *200* | | | *600* |
| - Cyrille Duval | 2,500 | 2,000 | 100 | - | 200 | - | - | 630 |
| *Number outstanding on 01/01/2011* | *0* | *0* | *0* | | *200* | | | *630* |
| • by first ten employee beneficiaries | 30,000 | 27,000 | 3,700 | 0 | 6,265 | 50 | 20 | 10,205 |
| Start of option exercising/final vesting period | 12/12/2003 | 15/12/2006 | 13/12/2007 | 25/04/2009 | 23/07/2009 | 29/07/2011 29/07/2013 * | 20/05/2012 20/05/2014 ** | 20/05/2013 20/05/2014 *** |
| Expiry date | 11/12/2009 | 15/12/2012 | - | - | - | - | - | -- |
| Subscription or purchase price | 32.6 | 64.63 | - | - | - | - | - | - |
| Terms and conditions for exercising | - | - | - | - | - | - | - | -- |
| Number of shares subscribed for/allocated on 31/12/2010 | 142,250 | 80,319 | 14,000 | 10,000 | 15,830 | 0 | 0 | 0 |
| Share subscription/purchase options/bonus shares cancelled/time-barred | 10,750 | 19,929 | 0 | 0 | 170 | 0 | 0 | 0 |
| Share subscription/purchase options not yet exercised/bonus shares not yet vested | 0 | 29,752 | 0 | 0 | 0 | 70,745 | 28,816 | 65,008 |

** 2011 for French and Italian residents – 2013 for the Group's other employees.*

*** 2012 for French and Italian residents – 2014 for the Group's other employees.*

**** 2013 for French and Italian residents – 2014 for the Group's other employees.*

## Information on share subscription/purchase options/ bonus shares (excluding corporate officers)

| Share subscription/purchase options/bonus shares granted to the first ten employees who are non-corporate officer beneficiaries and options exercised by them | Total number of options allocated/shares subscribed for or purchased or bonus shares | Price per share *(in euros)* | Related plans |
|---|---|---|---|
| Bonus shares or share subscription or purchase options allocated during the 2010 financial year by the issuer and by any company within the scope of allocation to the ten employees of the issuer and of any company within this scope who received the most bonus shares (global information) | 20<br>10,205 | 167.21<br>141.21 | L<br>M |
| Options held vis-à-vis the issuer and companies referred to above exercised in 2010 by the ten employees of the issuer and these companies who purchased or subscribed for the most options (global information) | 9,983 | 64.63 | G |
| **Total** | **20,208** | | |

## Summary table for each corporate officer

| Corporate officers | Employment contract | Supplementary pension plan (see details below) | Indemnity or benefits owed or which may be owed as a result of departure or a change of position (see details below) | Indemnities under a non-competition clause (see details below) |
|---|---|---|---|---|
| **Patrick Buffet**<br>Chairman and CEO<br>Start of term of office: 25/04/07<br>End of term of office as director: GSM on 2010 financial statements | No | Yes | Yes | No |
| **Georges Duval**<br>Deputy CEO<br>Vice Chairman of the Board<br>Start of term of office: 23/05/02<br>End of term of office as director: GSM on 2010 financial statements | Yes – suspended | Yes | Yes (within the limits of the suspended employment contract) | No |
| **Bertrand Madelin**<br>Deputy CEO<br>Start of term of office: 01/01/08<br>End of term of office: unspecified | Yes – suspended | Yes | Yes (within the limits of the suspended employment contract) | No |
| **Philippe Vecten**<br>Deputy CEO<br>Start of term of office: 23/05/07<br>End of term of office: unspecified | Yes – suspended | Yes | Yes (within the limits of the suspended employment contract) | No |
| **Édouard Duval**<br>Manager of ERAMET International<br>Director<br>Start of term of office: 21/07/99<br>End of term of office as director: GSM on 2010 financial statements | Yes | No | Yes (within the limits of the employment contract) | No |
| **Cyrille Duval**<br>General Secretary of the Alloys Division<br>Director<br>Start of term of office: 21/07/99<br>End of term of office as director: GSM on 2010 financial statements | Yes | No | No | Yes (within the limits of the employment contract) |

### 4.4.2.1. TERMS AND CONDITIONS OF REMUNERATION

Remuneration of corporate officer Comex members is set annually by the Board of Directors based on the recommendation of the Compensation Committee. For Comex members who are not corporate officers, the remuneration is set by the Group's Chairman and CEO.

Remuneration of each Comex member is broken down into a fixed portion and a variable portion. The goals of the corporate officers are determined by the Compensation Committee and submitted to the Board of Directors for approval. The elements for calculating the variable portion are set forth in Chapter 4, “Corporate governance”, of this document, in the report from the Chairman of the Board of Directors.

The Comex members also benefit from the supplementary medical expenses collective insurance scheme and from the supplementary disability/death collective welfare scheme offered to all ERAMET Group employees.

The members of the Comex who are not corporate officers also benefited from a collective discretionary profit-sharing scheme. The amounts paid under the scheme in 2010, with respect to 2009, amounted to a total of €9,057, in line with the legally prescribed ceiling.

### 4.4.2.2. RETIREMENT COMMITMENTS

Corporate officers are eligible for the existing defined benefit supplementary pension plan for senior executives of ERAMET. The elements of this plan are described in Chapter 4, “Corporate governance”, of this document, in the report from the Chairman of the Board of Directors

Based on the latest actuarial calculation made, the present value of the estimated portion of the four corporate officers who are currently concerned and who were still in office on 31 December 2010, out of the total commitments in respect of the past service of all beneficiaries of this supplementary pension plan amounted to €13 million at the end of December 2010, with the total amount of commitments being measured, under IFRS, at €28 million.

### 4.4.2.3. OTHER COMMITMENTS

The commitments as regards leaving the Company or in respect of a non-competition clause, which concern corporate officers are described in Chapter 4, “Corporate governance”, of this document, in the report from the Chairman of the Board of Directors.

# 4.5. SPECIAL REPORT ON SHARE SUBSCRIPTION AND PURCHASE OPTIONS

FY 2010

Dear Shareholders,

Pursuant to the provisions of Article L. 225-184 of the French Commercial Code, this report is presented to the General Shareholders' Meeting.

## 4.5.1. Options granted

No share purchase or subscription options were granted during the 2010 financial year.

## 4.5.2. Option exercises

The table below sets out the number and price of shares subscribed for or purchased during the financial year by the Company's corporate officers and by the ten employees of ERAMET or Group companies, who are not corporate officers, and who subscribed for or purchased the largest number of shares.

| Exercised in 2010 | Plan G 15/12/04 *(number of shares)* | Exercise price *(in euros)* |
|---|---|---|
| **Corporate officers** | | |
| Philippe Vecten | 3,000 | 64.63 |
| **10 employees exercising the most options excluding corporate officers** | | |
| Michel Beaudout | 2,000 | 64.63 |
| François Bour | 2,000 | 64.63 |
| Jean-Christophe Andlauer | 1,000 | 64.63 |
| Pierre Bossuot | 1,000 | 64.63 |
| Eric Issartel | 1,000 | 64.63 |
| Jacques Lecadet | 700 | 64.63 |
| Alain Robert | 693 | 64.63 |
| Christian Levivier | 590 | 64.63 |
| Jean-Pierre Cescutti | 500 | 64.63 |
| Lionel Sancho | 500 | 64.63 |

The Board of Directors

# 4.6. SPECIAL REPORT ON THE ALLOCATION OF BONUS SHARES

FY 2010

Dear Shareholders,

Pursuant to the provisions of Article L. 225-197-4 of the French Commercial Code, this report is presented to the General Shareholders' Meeting.

## 4.6.1. Allocations granted to the Company's corporate officers

| Plan of 20 May 2010 | Number of shares | Value *(in euros)* |
|---|---|---|
| Patrick Buffet | 8,670 | 1,224,291 |
| Cyrille Duval | 630 | 88,962 |
| Édouard Duval | 600 | 84,726 |
| Georges Duval | 1,600 | 225,936 |
| Bertrand Madelin | 1,530 | 216,051 |
| Philippe Vecten | 1,865 | 263,357 |

## 4.6.2. Allocations granted to the employees of the Company and its subsidiaries who are not corporate officers

| Plan of 20 May 2010 | Number of shares | Value *(in euros)* |
|---|---|---|
| Jean-Didier Dujardin | 2,002 | 282,754 |
| Michel Carnec | 1,697 | 239,685 |
| Catherine Tissot-Colle | 1,162 | 164,138 |
| Alain Giraud | 802 | 113,134 |
| Joseph Chang | 802 | 113,134 |
| Marcel Abeke | 802 | 113,134 |
| Philippe Gundermann | 802 | 113,134 |
| Pierre Alla | 802 | 113,134 |
| Patrick Rothey | 702 | 99,034 |
| Victor Polard | 652 | 91,984 |

## 4.6.3. Allocations to all beneficiary employees

In respect of the plan of 20 May 2010, each incumbent employee received 2 bonus shares, subject to conditions concerning seniority.

The Board of Directors

# Sustainable Development



5

# 5.1. INTRODUCTION

ERAMET's activities operate against a background of Sustainable Development accompanied by a constant desire for ongoing improvement which creates value.

A Communications and Sustainable Development Department (DC2D) whose Director is a member of the Executive Committee (Comex) organises, accompanies and monitors various initiatives.

The Sustainable Development policy which the Group adopted in 2009 takes up, contextualises, extends and completes the objectives and initiatives carried out within the framework of sectoral policies on the three aspects of Sustainable Development, *i.e.* social, environmental and economic. It was adopted by the Board of Directors on 20 January 2010.

This Sustainable Development policy aims to allow the ERAMET Group to continue conducting its activities on its present sites over the long-term and to accompany its development in new territories and in new sectors.

The document is divided up into four sections which correspond to the four main components of our activities: employees, sites, products and stakeholders.

This Sustainable Development policy, presented on the Group's website, is organised as follows:

1. Protect and develop ERAMET's employees by involving them in its actions;
2. Manager our health and environmental risks and impacts in order to maintain a proper and sustainable balance;
3. Seize the opportunities offered by Sustainable Development for the benefit of our customers;
4. Nurture a trusting relationship with our stakeholders to create value for all.

This policy was implemented in 2010 at all the sites and translated into the Group's twelve languages. The policy is divided into long-term objectives validated by the Comex.

The objectives are organised into 3 levels of priority:

- Level 1: Essential objectives:
  - Related to compliance with existing regulatory obligations,
  - Helping to defend markets and activities,
  - Actively preventing potential dangers and risks of products and activities for the Group's employees;
- Level 2: Objectives allowing the policy to be actually implemented:
  - Performance of inventories before improvement initiatives,
  - Implementation and/or updating of support tools;
- Level 3: Objectives corresponding to new or anticipatory initiatives:
  - Studies to be carried out: New tools, defining indicators, new themes (example: biodiversity),
  - Group implementation of initiatives undertaken in certain limited areas (France, EU, etc.),
  - Long-term preventive action.

Out of a total of 35 objectives, there are 11 level 1 priorities, 15 level 2 priorities and 9 level 3 priorities set out in direct continuity with the "Environment", "Health" and "Safety" Objectives of previous years. Here are some examples of the results:

- The policy of ISO 14001 certification of the industrial sites was successfully continued. At the end of 2010, seven new sites were granted ISO 14001 certification.
- In accordance with the European regulations REACH, and within the given time, the legal entities of the Group concerned registered all that was required with the ECHA (European CHemicals Agency).
- An international benchmarking of regulations and best practices for mining operations was carried out in 2010 in close collaboration with the Divisions. It enabled us to highlight a series of standard indicators which were then integrated into the reporting tool EraGreen.

Moreover, we continued to carry out Environment, Health and Safety audits at the sites. Eleven sites were audited. The audit framework common to the environment, health and safety is based on three cornerstones: involving people, ensuring operational control and prevention. It fully integrates requirements set out in standards ISO 14001 and OHSAS 18001.

Teams made up of a variety of auditors from within the Group (central departments and site representatives), who are trained and certified in accordance with internal guidelines, conduct these audits which are organised in an increasingly integrated manner so that each site is assessed every two or three years.

This involvement will aid the sharing of experience between the operational teams and enable them to benefit from the others' best practices. Moreover, because safety, the environment and health are closely interlinked, the Group Medical Officer also takes part in site audits.

In addition, safety audits are carried out at least twice a year by each Comex member at one of the Group's sites as well as inspections related to industrial and environmental risks as part of the insurance programme.

The identification of stakeholders continued in 2010 with the updating of the mapping performed in 2009. The tool, which was enhanced in 2010, is viewed not only from a crisis management angle but also with a view to entering into discussions/consultations with these stakeholders (institutional players, ministries or regional communities, local residents, environmental and consumer associations, etc.).

The Group's project management integrates the aspects of sustainable development. DC2D is associated with each Division's development projects.

Thus, social, cultural, economic and environmental aspects including biodiversity, relations with stakeholders and even health and safety are some of the themes covered.

By referring to the best international standards, the Group aims to establish long-term relations everywhere it operates, in compliance with specific rules and cultures.

It encourages numerous programmes in communication, local support and even initiatives in the field of education and health, like for example the dedicated foundation set up by the Weda Bay Nickel project in Indonesia or the partnership with the town of Le Havre.

A summary of the specific initiatives in favour of the communities is presented in more detail in the Reference Document on sustainable development. We also present a non-exhaustive summary of initiatives related to biodiversity, the preservation of nature and its fauna and flora.

ERAMET wishes to assume responsibility for the products marketed or used in its facilities. The process set in motion by the REACH project is a good example of this. In 2010, the Group devoted a great deal of time to this activity, especially the three REACH Managers in the Divisions and the head office departments including the Communications and Sustainable Development Department (DC2D). All the necessary registrations were made within the deadline before 1 December 2010. Numerous in-house working groups accompanied this work and in each Division they analysed the Group's supply chains and markets to see whether they had any sensitive or vulnerable points. In Decembrer 2010, the classification of all the products concerned by the European CLP regulation (Classification – Labelling – Packaging) were successfully notified.

The growing constraints of energy resources and greenhouse gas emissions, taken into account since 2005, had led ERAMET to anticipate future regulatory requirements by establishing its carbon footprint. In 2010, a specific committee bringing together the three Divisions and the Industrial, Research & Development, Purchasing and DC2D Departments.

The findings set out in the environmental data analysis and the examples given testify to the ERAMET Group's desire and commitment to treat Sustainable Development as a priority and to unfailingly strive to make further improvements.

# 5.2. SUSTAINABLE DEVELOPMENT POLICY

Constantly seeking to make improvements and create value, the ERAMET Group adopted a Sustainable Development policy which will allow it to durably conduct its activities on its present sites and accompany its development in new territories.

The Group rigorously complies with regulations that apply to its activities and develops performance standards that are in line with the industry's best practices. This policy concerns its employees, its customers and its stakeholders and integrates the management of industrial, health, social and environmental risks that relate to its activities.

It is based on the dedicated Charters and Policies adopted by the Group, such as the Code of Conduct, the Health and Safety Policies and the Environmental Charter.

## I. PROTECT AND DEVELOP ERAMET'S EMPLOYEES BY INVOLVING THEM IN ITS ACTIONS

### 1. Protect our employees' health and safety

- The ERAMET Group's employees are its prime asset. The Group shall continue the actions taken to reduce workplace accident frequency and seriousness rates, wipe out fatal accidents and move towards zero accidents.
- Action plans are constantly implemented to harmonise safety standards between the Group's various bases and organise the sharing of best practices.

- Prevention and screening of occupational diseases is a priority under the health policy of the ERAMET Group, which also seeks to help combat AIDS and possible pandemics, as well as addictions and stress.
- Moreover, the Group makes an active contribution to the development of scientific research and knowledge relating to the health and environmental impact of its business.

### 2. Foster professional development and industrial dialogue

- We recognise individual worth and talent. We value diversity as it is a major advantage for as international and innovative a Group as ERAMET.
- We ensure that we practise no discrimination whatsoever based on gender, disability, family status, age, political opinions, religious convictions, trade union activity or origin.
- Rewarding and developing employees' skills are essential factors in retaining personnel and enhancing ERAMET's attractiveness. Rewarding managerial and technical skills, developing career opportunities within the Group and promoting managers from territories where the Group is based are all priorities.
- The ERAMET Group strives to keep up constructive dialogue with personnel representatives, who are essential partners in the implementation and rollout of Sustainable Development policy.

### 3. Make employees players in Sustainable Development

- Employee buy-in for the ERAMET Group's commitments to Sustainable Development is a critical success factor for that process.
- The deployment of Sustainable Development policy is supported by employee awareness raising and training actions. These emphasise the action levers that employees have in their respective specialties for contributing to the achievement of the Group's Sustainable Development commitments and demonstrate the relevant issues.

## II. MANAGE OUR HEALTH AND ENVIRONMENTAL RISKS AND IMPACTS IN ORDER TO MAINTAIN A PROPER AND SUSTAINABLE BALANCE

### 1. Control the health and environmental impacts of our facilities and industrial processes

- Aware of the potential environmental impacts of mining and metallurgical activities on the natural environment, the ERAMET Group considers that its responsibility is to adopt exemplary behaviour by implementing all the resources needed to protect the natural environment.
- For both its mines and its plants, the Group shall reduce its environmental footprint by keeping up the efforts taken for several years. This goal is factored into its projects and development from design onwards.
- Protecting water resources, reducing noxious air emissions, conserving biodiversity and restoring sites after closure are action priorities that mobilise all the Group's activities.

### 2. Reduce energy consumption and combat climate change

- The fight against climate change is an action priority for the international community and all businesses that have undertaken a Sustainable Development process.
- The ERAMET Group has opted to improve the energy efficiency of its facilities by setting targets for greenhouse gas emission reduction.

### 3. Aim for better use of natural resources and develop recycling

- The sustainable recycling of mining deposits is a primary environmental and economic issue for the ERAMET Group.
- The Group is developing processes that enable low grade ores to be used and extend the lifespan of natural resources. Finally, it fosters the use of secondary raw materials obtained by recycling.

## III. SEIZE THE OPPORTUNITIES OFFERED BY SUSTAINABLE DEVELOPMENT FOR THE BENEFIT OF OUR CUSTOMERS

### 1. Integrate Sustainable Development into the Group's innovation and business diversification policy

- The ERAMET Group makes innovation and research efforts to reduce the environmental impacts of its facilities, manufacturing processes and products.
- Work is done to share knowledge, capitalize know-how and develop new partnerships with customers in order to utilise those potential new sources of growth.
- Diversifying activities into new products and new applications and bolstering our presence on selected innovative markets are also sources of development for the Group.

### 2. Highlight the environmental benefits of using our products in our customer approach and reduce the risks from products for people and the environment

- The ERAMET Group structures its marketing process by meeting customers' demand for more environmental benefits from the use of its products (stainless steels, very high strength steels, use of manganese in rechargeable batteries, etc.).

- This process is based on scientific studies carried out to quantify the precise environmental impacts with respect to our products' entire lifecycles.
- The Group regularly implements all the necessary resources in terms of traceability and regulatory compliance to ensure that the use of its products does not impair health or safety and does not disrupt natural balance.

### 3. Undertake a responsible purchasing process

- In many cases, allowance for costs related to the use and end-of-life of products means that products with lower environmental impact which do not entail excess costs for the buyer should be preferred.
- Given that fact, the ERAMET Group develops a responsible purchasing policy by preferring suppliers that offer products or services that fulfil environmental and social criteria better while remaining competitive.
- In particular, the Group checks that its suppliers comply with the demands of REACH regulations.

## IV. NURTURE A TRUSTING RELATIONSHIP WITH OUR STAKEHOLDERS TO CREATE VALUE FOR ALL

### 1. Meet our stakeholders' expectations better

- In the regions where the ERAMET Group has always operated, it has shown itself capable of communicating with local stakeholders and understanding their expectations. It fosters consultation and modernised governance in the various zones where it operates in order to identify its stakeholders' concerns as soon as possible and provide relevant responses to the demands it receives.
- Such an approach involves building forms of dialogue that are relevant to the political and cultural contexts of host countries.

### 2. Contribute transparently to host regions' economic and social development by ensuring good governance of our operations

- ERAMET's ability to maintain a long-term presence wherever it is based and to develop its activities in new directions largely depends on its ability to demonstrate that its presence brings positive economic and social fallout for its local partners and its facilities' neighbouring populations.
- As a major player in the economies of many regions in the world, the Group intends to continue to develop actions in support of education, health prevention and stimulus of local businesses.
- Entering into partnerships with non-governmental organisations is encouraged. The Group strives to improve the governance of its operations constantly under a principle of shareholder dialogue and respect.

### 3. Share our challenges and achievements as widely as possible

- Companies' non-financial performance is becoming a subject of major interest, examined by different types of stakeholders seeking information on how environmental and social issues are factored into the companies' policy.
- To meet that expectation, the ERAMET Group provides increasingly clear and objective information in its internal and external communication on past and future achievements in terms of Sustainable Development.
- This information is based on verifiable facts and quantifiable indicators and forms the basis for a relationship of trust with our shareholders, the general public and any other stakeholder interested in our Sustainable Development process.

# 5.3. THE 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 communicate

Accurate knowledge of our actual impact is a necessity. Knowing how to anticipate and assess both improvements and difficulties is the key to implementing 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 knowledge

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.

# 5.4. ISO 14001 CERTIFICATION OF INDUSTRIAL SITES

The significant progress made in recent years with regard to the goal of gradual introduction of measures along the lines of Environmental Management Systems, initially provided for in the 2002 Environmental Charter and confirmed by the Sustainable Development policy of January 2010, continued in 2010.

In accordance with the objective formally set out in early 2007 and renewed every year, a target schedule for sites involved in the ISO 14001 certification process was established and followed and in 2010, seven more sites obtained ISO 14001 certification:

- Erachem Mexico;
- Comilog Dunkirk;
- Erasteel Champagnole;
- Erasteel Kloster Langshyttan;
- Erasteel Kloster Söderfors;
- Erasteel Kloster Vikmanshyttan;
- Interforge Issoire.

The Aubert & Duval Heyrieux distribution centre also obtained this certification, with formal confirmation given in January 2011.

ISO 14001 certifications indicate that the sites have adopted an ongoing improvement process. The coherence of the management systems and extent of this ongoing improvement are checked annually *via* external audits and *via* three-yearly certification renewal audits.

On 30 January 2011, twenty-three sites had obtained ISO 14001 certification:

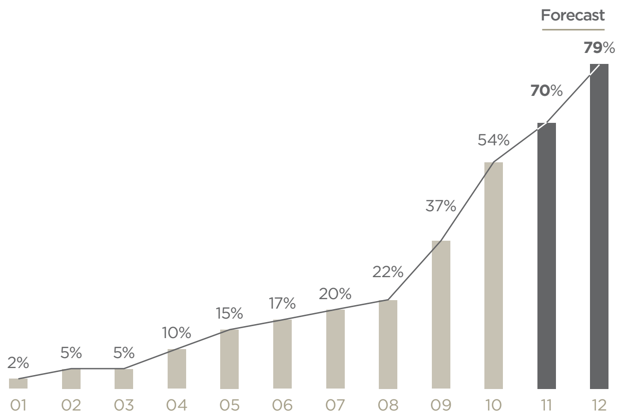
- Airforge, Pamiers;
- Aubert & Duval Heyrieux;
- Aubert & Duval Imphy;
- Aubert & Duval Issoire;
- Aubert & Duval Les Ancizes;
- Aubert & Duval Pamiers;
- Comilog Dunkirk;
- Erachem Comilog Tertre (copper recycling activity);
- Erachem Mexico;
- ERAMET Norway Kvinesdal;
- ERAMET Norway Porsgrunn;
- ERAMET Norway Sauda;
- ERAMET Sandouville;
- Erasteel Champagnole;
- Erasteel Commentry;
- Erasteel Kloster Langshyttan;
- Erasteel Kloster Söderfors;
- Erasteel Kloster Vikmanshyttan;
- Erasteel Tianjin;
- Eurotungstène Grenoble;
- Interforge Issoire;
- Tinfos Titane Iron Tyssedal;
- Valdi, Feurs.

This ISO 14001 certification process followed by the industrial sites is progressing efficiently. 53% of Group sites were certified at the end of 2010 compared to 37% at the end of 2009 (two Valdi sites were integrated into the scope in 2010), *i.e.* 54.2% of the Group's sales in 2010. This rate of growth will continue in 2011.

To accompany and assess the sites in their environmental improvement process, the Group conducts internal pre-certification audits as well as site follow-up audits in matters related to Health and Safety (H&S) and the environment.

For this purpose, the Group works with a reference framework drawn up in 2008 that covers the environment, health and safety, fully in line with the ISO 14001 and OHSAS 18001 standards. This strict reference framework is used at all the Group's industrial sites.

Mixed teams of auditors (central departments and site representatives) oversee these audits that are more and more integrated so that each site is evaluated every two or three years, in accordance with the rules.




*Proportion of ISO 14001 certified industrial sites and the outlook for next 2 years (excluding mines).*

*Two Valdi plants integrated into scope in 2010.*

The prospects for new certifications in 2011 and 2012 are based on the commitments made by the sites which are periodically reviewed and reconsidered at the end of 2010.

The Comilog sites in Gabon are set on obtaining the certification of their environmental management system in 2012. Management at the SLN sites in New Caledonia is aiming to obtain certification of the plant in 2013 and certification of the mines in 2014.

# 5.5. ENVIRONMENTAL DATA

The significant improvement of environmental indicators observed over the past several years continued overall in 2010. The significant reductions of some indicators in 2009 were related to a slowdown in activities. Generally speaking, in 2010 activities tended to be on the increase. We observe some increases which should be compared to the results obtained in 2008 rather than those obtained in 2009.

The following summary focuses on the many improvements and capital expenditures for the sites during the year. In 2010, it is estimated that more than €30 million were invested overall in environmental matters.

This helps control the impact on the environment and has a significant influence on the ongoing process of continuous improvement.

For the first time ever, the 2010 environmental report covers the whole scope of industrial sites presented by the Group (43 sites), spread across the five continents, *i.e.* the following Chinese, Norwegian, Swedish, Gabonese, Mexican, American, English, Belgian, French and New Caledonian sites:

| | |
|---|---|
| Norway | Porsgrunn, Sauda, Tyssedal, Kvinesdal |
| Sweden | Söderfors, Långshyttan, Vikmanshyttan |
| Belgium | Tertre |
| France | Les Ancizes, Champagnole, Commentry, Dunkirk, Feurs, Firminy, Gennevilliers, Grenoble, Heyrieux, Imphy, Issoire (2 sites), Laval-de-Cère, Le Palais-sur-Vienne, Pamiers (2 sites), Sandouville, Trappes |
| United Kingdom | Warrington |
| New Caledonia | Doniambo (including mining sites) |
| USA | Marietta, Baltimore, Freeport, New Johnsonville, Bear, Boonton |
| Mexico | Tampico |
| Gabon | Setrag, Moanda (including mine), Owendo |
| China | Chongzuo, Guilin, Liabin, Tianjin, Wuxi |

The scope for 2010 includes the two French Valdi sites which joined the Group on 1 January 2010. The corresponding environmental results are taken into account from 2010.

To follow its key indicators, the Group uses EraGreen, its internal reporting tool. This information system collects and consolidates information on the environment of industrial sites and mines. The main issues covered are water, air, soil, energy, waste, biodiversity and regulations.

In 2010, the tool was given a complete technical and conceptual overhaul. The purpose of this overhaul was twofold: Compliance with regulations that are enforceable against the Group and development of indicators that characterise its activity. These indicators are based on key indicators used by international organisations and indicators that are specific to the Group's activities. The Environment Department and the Group's industrial and mining sites worked together in close coordination to accomplish this task.

One of the key aspects of the new tool, which has been operating since the 2010 campaign, is that it considers the same monitoring indicators for all the sites. Each of these sites enters its data once this parameter is monitored, either within the framework of its operating permit or else voluntarily. Therefore, the Group's coverage of each indicator is more exhaustive. For example, this is the case with VOC.

At the end of 2010, thirty-four sites were using the tool, five of which had started using it that year. In 2011, its deployment will be continued to achieve 100% coverage of the Group's sites.

For all the sites at which the system has been installed, the quantitative data provided (environmental indicators) is output from EraGreen and comes solely from data consolidated by the application.

For other sites where EraGreen has not yet been installed, the environmental results were collected using traditional computer tools and aggregated at Group level.

The following table shows all the Group's environmental results.

| | | 2008 | 2009 | 2010 |
|---|---|---|---|---|
| **Consumption** | | | | |
| Total energy consumption | GWh | 17,580 | 14,291 | 17,339 |
| Total water consumption | millions of $m^3$ | 39 | 36 | 32 |
| Including untreated water | millions of $m^3$ | 36 | 33 | 29 |
| Including water from the network | millions of $m^3$ | 3 | 2 | 3 |
| **Air emissions** | | | | |
| $CO_2$ emissions linked to energy | thousands of tons | 4,910 | 3,929 | 4,896 |
| $SO_2$ | tons | 16,030 | 14,906 | 15,660 |
| $NO_2$ | tons | 5,245 | 4,647 | 3,696 |
| Volatile Organic Compounds (VOC) | tons | 566 | 355 | 392 |
| Total Dusts | tons | 2,225 | 2,200 | 1,855 |
| Nickel | tons | 26 | 27 | 14 |
| Manganese | tons | 195 | 144 | 114 |
| **Aqueous discharges** | | | | |
| Suspended solids | tons | 5,157 | 6,393 | 6,677 |
| Chemical Oxigen Demand (COD) | tons | 250 | 136 | 287 |
| Nickel | tons | 5 | 6 | 9 |
| Manganese | tons | 117 | 55 | 94 |
| **Waste production** | | | | |
| Non-hazardous waste | thousands of tons | 2,885 | 3,494 | 3,791 |
| Hazardous waste | thousands of tons | 35,371 | 25,457 | 35,095 |

## 5.5.1. Energy

The main energy requirements stem from the pyrometallurgical operations sites. The furnaces and the melting facilities, at the heart of the ERAMET Group's metallurgy activities in its three Divisions, are the main contributors.

Three factors influence these consumption levels:

- the scope of the Group;
- the sites' levels of activity;
- the sites' energy performance.

2009 energy consumption was down on 2008 and 2010 levels because of the downturn in business related to the economic climate.

In 2010, the rise in energy consumption related to the upturn in business was partially offset by the results of the "energy saving" initiative which was continued. This included managerial action, the optimisation of energy costs (load curtailment) and improved energy performance resulting from capital expenditure.

## 5.5.2. Air

The Group's air emissions derive from energy requirements and the production of ferrous and non-ferrous metal alloys.

As with energy requirements, it is above all the pyrometallurgical activities with their melting facilities and furnaces which contribute to air emissions.

The $CO_2$ emissions are based on the type and quantity of energy consumed by a site and the characteristic emission factors.

The trend already seen in the reduction in nitrogen oxide (NOx) emissions in the chosen scope continued in 2010.

Sulphur oxide (SOx) emissions became stable in 2010. In spite of air emission reduction initiatives at all sites, this stagnation is mainly due to the reduced use of low-sulphur fuel oil in 2010 compared to 2009 at the SLN Doniambo (New Caledonia).

Nevertheless, sites continued the capital expenditure to improve combustion conditions and even reduce NOx emissions. We can note the engineering and maintenance action taken at Erachem Comilog Baltimore (USA), for example.

The calculation of Volatile Organic Compounds (VOC) emissions was effected by the overhaul of the reporting tool EraGreen. Due to the improved coverage, the Group's VOC assessment was reviewed. Despite the upturn in business, VOC emissions remained much lower than in 2008.

In pyrometallurgy, canalised emissions of suspended solids and other metallic dust are generated during the handling of materials, by furnaces, during casting and grinding operations and during the handling of liquid metal and slag.

In hydrometallurgy, canalised dust emissions most often occur during handling operations, drying or materials transport.

Most of these sensitive operations are subject to capture or filtration systems. The first calculation shows that the Group's sites are fitted with over 250 facilities to treat air emissions. Dust-removal facilities are in place and are kept in good working order and improved. In fact, more than two-thirds of capital expenditure on the environment is devoted to reducing air emissions.

Air emissions of total dust, nickel, and manganese are down on 2009 levels once again.

In 2010, there were numerous capital expenditure projects aimed at reducing air emissions, including:

- the commissioning of electrostatic precipitators on furnace FR9 at SLN Doniambo (New Caledonia);
- the installation of bag filters to replace the wet process filtering system at ERAMET Marietta (USA);
- the installation of two dust removers at Eurotungstène (France);
- the installation of a gas treatment system at the Guangxi ERAMET Comilog Chemical site (Chongzuo, China).

Many other actions were taken to improve the trapping systems of existing installations. The Aubert & Duval Les Ancizes site (France) installed a system to trap gas emissions from the steelworks firing stands. In 2011, this equipment will be followed up with a related treatment system. Several other efforts have been made to improve the trapping of gas and particle emissions, as for example in France with Erasteel Commentry, Aubert & Duval Pamiers and Valdi Feurs.

Special attention is being focused on fugitive dust emissions. This year was marked by the elaboration of reports and the implementation of action plans to reduce these emissions.

The Comilog mine (Gabon) has worked on a system to allay dust setting on the fixed ore mixing installations. The Comilog Dunkirk site (France) has launched a study on new ways of reducing the dust blown off storage areas.

The ERAMET Sandouville site (France) has carried out work to improve the tightness of a bagging facility. The Erachem Comilog Tertre site (Belgium) has carried out work to ensure the tightness of one of its furnaces to limit fugitive emissions. Action has also been taken to reduce fugitive emissions from furnaces at the ERAMET Norway Sauda and Porsgrunn plants (Norway).

Finally, it should be noted that fugitive emissions have now been integrated into ERAMET Group's key indicators *via* the EraGreen tool for later use.

## 5.5.3. Water

### 5.5.3.1. 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;
- hydrometallurgical processes: Solubilisation and reaction environments.

For several years, particular attention has been paid to the internal recycling of the water consumed. The cooling of furnaces and other metallurgical installations and all other high water-consuming operations are mainly carried out in closed circuit. In these situations, the water consumption consists of top-up water used to make up for evaporation.

Water consumption is related to production. Despite an upturn in activity, the efforts made have allowed the Group to reduce its overall consumption in 2010 compared to the two previous years.

The Group's water consumption is divided in two sub-categories: Firstly, water from the network (drinkable water in most countries where the Group has plants) and secondly, all the other types of water called "untreated water". The second category includes all surface or ground water used by the Group without any specific treatment, except sea water used at SLN Doniambo (New Caledonia).

The drop in the Group's total water consumption in 2010, despite the upturn in activity, is mainly due to the long-term reduction plans implemented at many sites. Examples include the third stage of the project to reduce discharges at Aubert & Duval Pamiers (France) and the work carried out at the ERAMET Sandouville site (France) which reduced this site's water consumption by 25% in 3 years.

Untreated water is mainly used in large quantities for cooling operations (ferromanganese furnaces for example) but also for material granulation operations.

The ERAMET Norway Sauda and Porsgrunn sites have carried out work to optimise the cooling of their furnaces. This allowed them to considerably reduce their consumption of untreated water compared to 2009.

At the Comilog washing plant in Gabon, water consumption was considerably reduced in 2010 thanks to the installation of a closed circuit. The outfall from the washing plant flows into the industrial basins of which the water overflow is returned to the circuit.

Water from the network is mainly used for sanitary purposes. It is also used in the processes when water of a certain quality is required and sometimes for top-up operations. This was the case for Erachem Comilog New Johnsonville (USA) which, as a result of meteorological problems at the beginning of the year, was obliged to use water from the network for cooling operations instead of the inadequate untreated water.

Finally, as in previous years, the Group paid particular attention to regularly monitoring the water consumed which, together with work on the rationalisation of water consumption, allows it to identify drifts so they can be dealt with promptly. This was the case with Erachem Comilog Baltimore (USA) and Erasteel Tianjin (China) which renovated water pipes following abnormal increases in water consumption.

### 5.5.3.2. AQUEOUS DISCHARGES

As with air emissions, ERAMET has a policy of reducing its aqueous discharges.

The industrial sites are working to improve treatment processes to ensure better quality discharge water. In France, self-checks supplemented by unannounced checks are usually performed every quarter.

Sites are also trying to reduce the number of discharge points and aiming for single outfalls or even for the elimination of all untreated water outfalls.

The suspended solids in aqueous discharges mainly stem from the waste from SLN Doniambo (slag filtration) in New Caledonia.

At the SLN, seawater drawn from the port of Nouméa is used to cool the slag granulation plant. The increased discharge of suspended solids at Doniambo is partly linked to increased production. However, it should be noted that the seawater used already contains suspended solids and the regulations in force do not allow different practices.

This situation differs from the good performances obtained by the Group's other sites:

- in 2010, the Comilog mine (Gabon) worked on improving the sedimentation of solids. Zero discharge was achieved in the Moulili River in November 2010;
- plants in the Alloys Division continued their capital expenditure and discharge control programmes.

COD discharges increased sharply in 2010, exceeding 2008 levels.

The value of this parameter is particularly sensitive to measurement and calculation uncertainties. Indeed, a site's annual discharge figure usually comes from a few periodic measurements which are extrapolated out to a year. Sampling conditions and also any temporary work carried out on the site may also play a predominant role in the results.

For example, on the Aubert & Duval Pamiers site (France), a quarterly measurement was taken following work carried out on a hydrocarbon separator which inferred an abnormally high level for the whole quarter. Erachem Comilog Tertre (Belgium) which carried out drainage work in 2010 also observed an isolated increase in its COD discharge levels.

In 2010, Eurotungstène Grenoble (France) observed a significant increase in the COD unrelated to production following the repair of pipes (release of chlorides). It should also be noted that the presence of certain chemical species can have an influence on the analysis measurement of the COD, as observed at the ERAMET Sandouville site which is developing another method of analysis to improve the monitoring of organic compounds in the water.

Numerous capital expenditure programmes were conducted in 2010 to improve the quality of waste water. Hydrocarbon separators were installed at SLN Doniambo (New Caledonia), at Port Minéralier d'Owendo (Gabon), at Aubert & Duval Firminy and at Erasteel Commentry (France). More than 70 hydrocarbon separators have been installed at Group sites.

Finally, the Group's sites carefully monitor the quality of ground water and thus the activity's impact on the soil and sub-soil. There are more than 200 monitoring piezometers spread out at the different sites of the Group.

## 5.5.4. Waste

Waste management is an area that is constantly evolving.

ERAMET strives to recycle the waste it generates by integrating it into its processes. This is the case at Aubert & Duval Imphy (France) where, in the preparation of metal powders, 50% of the furnace loads are made up of internal scrap (powders, solids).

ERAMET is also developing specific activities based on secondary raw materials. This is the case with the activities of Gulf Chemical Metallurgical Company in Freeport (USA), Erachem Comilog Tertre (Belgium) for its copper and zinc salt and oxide production and the two Valdi sites (France).

The Group's alloy plants, particularly the steelworks, incorporate the use of recycled metals into their processes. Accordingly, 93% of the raw materials fed into the furnace at Erasteel Commentry (France) come from the recycling loop.

In 2010, the Aubert & Duval sites in Les Ancizes, Firminy and Imphy (France) finalised their new waste recycling activities, *i.e.* the use of steelworks slag, refractory products and the sorting of debris from the pouring basin. This new waste recycling method replaces the ultimate waste disposal method (landfill disposal) and greatly reduces the quantity of non-recycled waste. Thanks to this new activity, the Aubert & Duval Les Ancizes site has protected the environment by not creating an internal landfill. This recycling activity will eventually allow the site to recycle 80% of plant waste and 95% of steelworks waste. Moreover, the site started rehabilitation work on its existing landfill which has come to the end of its life.

The Group also has other recycling methods:

- the production residue from the Erachem Comilog Baltimore site (USA) is sold for use in the agricultural sector or as inert material for road building;
- the ore gangue from Erachem Mexico are used in public works;
- the Erasteel Tianjin site (China) finalised its project to recycle aluminium waste by selling it to a local brick producer;
- the Guilin and Guangxi Comilog Mn Ferroalloys sites (China) recycle gas scrubbing residue in the production of bricks and tiles;
- the Comilog Dunkirk site (France) continues its by-products recycling initiatives.

There are various other synergies between several sites in the Group aimed at recovering usable waste. This is the case in particular for relevant recycling between the plants of Erasteel Kloster in Sweden, Boonton in the United States, Champagnole and Commentry in France and between the ERAMET Marietta plant (Ohio, USA) and the Erachem Comilog Baltimore plant (Maryland, USA). The sites of Erasteel Kloster in Långshyttan and in Söderfors (Sweden) developed a new synergy in 2010 by having the metal hydroxide sludge from Långshyttan recycled in Söderfors.

In 2010, numerous tests and partnerships were set up between the new Valdi sites and the Group's other plants in France.

Finally, many initiatives to improve the collection and sorting of waste were taken. The French sites of Erasteel Commentry, Aubert & Duval Les Ancizes, Aubert & Duval Issoire and Valdi Feurs carried out work to improve waste sorting and storage areas.

### 5.5.4.1. NON-HAZARDOUS WASTE

The concept of hazardous and non-hazardous waste is defined in accordance with the countries in which the sites operate.

Industrial steelworks and melting/reduction operations and the production of ferroalloys generate more than 80% of the Group's non-hazardous waste and by-products. This comes in the form of slag or inert slag usually stored in internal dumps. However, some of it has a commercial value as hard core for roads in the civil engineering sector. The waste calculations do not include the tonnages of deliberately rich slag generated by the ferromanganese pyrometallurgical process, used as a secondary raw material in the silicomanganese production furnaces.

The overall quantity of the Group's non-hazardous waste is on the rise but this does not mean that there has been an actual increase in the quantity of such waste generated by industrial activities. It is due to the fact that they are better taken into account.

First of all, we notice that the overall quantity in 2009 has been significantly revised upwards in this report. Indeed, the water released after the washing process at the Comilog mine (Gabon) is canalised, collected and clarified in dedicated industrial basins, thus generating a large quantity of waste. In this report, this waste is counted retroactively.

The increase observed between 2009 and 2010 is mainly due to the increase in the level of activity at the Moanda industrial complex (Gabon) for the production of manganese sinter and to a lesser extent to increased production at the Group's sites in Norway. Moreover, it should be noted that the efforts made at SLN Doniambo (New Caledonia) have led to a considerable reduction in the quantity of non-hazardous waste generated in 2010.

### 5.5.4.2. HAZARDOUS WASTE

The Manganese Division's "chemicals" operations generate a large quantity of production and purification residues. The fact that approved landfill sites handle this waste means that the applicable regulations are complied with on all points. Although Europe considers that this waste is hazardous, other regions in the world do not. Indeed, to date, regulations outside of Europe do not take the harmful environmental impact into account when classifying waste.

The significant reduction observed in 2009 was mainly due to the slowdown in activity. In 2010, production levels were partially restored. Therefore, it is more appropriate to compare 2010 to 2008 rather than simply to 2009. Moreover, an analysis of the increments shows that the activities of Valdi, whose two sites joined the Group in January 2010, significantly contribute to this increase.

Finally, some periodic operations that should have been performed in 2009 were postponed until 2010 and this led to the generation of significant quantities of hazardous waste, *i.e.* the cleaning and scraping of basins and ditches with the possible presence of hydrocarbons.

This was the case at Erasteel Commentry and Aubert & Duval Pamiers in France.

# 5.6. ENERGY SAVINGS

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

A site's action plan is defined in cooperation with the Group's Industrial Affairs Department, which may call upon independent experts if necessary.

It requires three stages:

- discovery/understanding of the process used by the plant;
- "brainstorming" concerning potential ideas, and;
- definition of action plans.

The actions generally adopted cover at least the following subjects:

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

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

At the end of 2010, 26 sites (out of the 27 targeted) had their action plan. Specific measures were implemented which not only allowed substantial gains to be made but sometimes also enabled the environmental impact to be reduced.

After the slowdown in activity in 2009 which offered the opportunity to implement good practices (improving scale-down modes, campaigns to raise staff awareness concerning energy saving, load curtailment, etc.), activity picked up again in 2010. Results show that the energy savings achieved in 2010 were double those of 2009. This is due to the good practices acquired in 2009 and to the sites' continued efforts (SLN in particular) to improve their energy performance.

# 5.7. CONTRIBUTION TO GREENHOUSE GAS REDUCTION POLICY

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

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

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

The sites affected are the 4 steelworks in the Alloys Division:

- Aubert & Duval: sites at Firminy (42) and Les Ancizes (63);
- Erasteel: Sites at Commentry (03) and Söderfors (Sweden).

### Second period: 2008-2012

- Annual allowances for the 4 sites = **137,245 allowances**
- 2008 emissions at the 4 sites = **95,478 tons of $CO_2$** representing a surplus of **41,767 allowances** for the first year.
- 2009 emissions at the 4 sites = **66,132 tons of $CO_2$** representing a surplus of **71,113 allowances** for the second year.
- 2010 emissions at the 4 sites = **77,715 tons of $CO_2$** representing a surplus of **59,530 allowances** for the third year.

Because of the low activity of the sites in question in 2009 and 2010 (down 30% compared to previous years), forecasts to the end of 2012 show an **overall surplus of about 240,000 allowances over the period.**

It should be noted that, in contrast to period 1, **the surplus allowances at the end of period 2 may be carried over to period 3 (2013-2020).**

France's "new entrants" reserve which can be used to allocate allowances to new facilities is not high enough for period 2. Article 64 of Finance Law 2011 No. 2010-1657 states that this reserve can be partially increased *via* the issuance, in return for payment, of some of the allowances for 2011 and 2012.

Therefore, the sites concerned by period 2 must buy (at a price yet to be defined) 5% of the allowances allocated for these two years. The implementing order is being drawn up and is expected to come into force before 30 June 2011.

## 5.7.2. Directive 2009/29/EC amending Directive 2003/87/EC in order to enhance and extend the Community system for greenhouse gas emission allowance trading

Through professional bodies, the Group has taken an active part in discussions between the industry and the national and European authorities (Commission, Parliament and Council). The implementing provisions for the amended Directive for period 3 (2013-2020) are being approved and published by the European authorities.

### 5.7.2.1. SITES CONCERNED

Alloys Division: Aubert & Duval: Les Ancizes, Firminy, Pamiers and Airforge in Pamiers and Interforge in Issoire.

Erasteel: Commentry.

Manganese Division: Comilog Dunkirk, ERAMET Norway Porsgrunn, Sauda, Kvinesdal and Tyssedal.

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

### 5.7.2.2. SMALL $CO_2$ EMITTERS

Sites with less than 25,000 tons of $CO_2$ emissions *per annum* and less than 35 MW of useful thermal capacity will be excluded from the scheme but should be subject to "similar constraints".

### 5.7.2.3. FREE ALLOWANCES

Calculation of the number of free allowances will be based on the general formula:

**Free allowances**
=
**Specific emissions** (according to benchmark)
**x**
**Historical production volume** (2005-2008 median activity)
**x**
**Annual reduction factor for allocations** (1.74%)
**x**
**Trans-sectoral reduction factor**

A Commission decision, adopted on 15 December 2010 and in the process of being validated by the Parliament and Council, will set out the various terms which will differ according to the installations and sub-installations.

As from 2013, an official questionnaire, in the process of being approved, will be used to collect the site data needed for the calculation, verification and allocation of the free allowances for each sub-installation.

The questionnaire, completed by each site and checked by an accredited verifier, must reach the national authorities before 1 June 2011.

### 5.7.2.4. $CO_2$ COORDINATION COMMITTEE (C3O2)

In order to coordinate information and actions related to the Group's carbon footprint, the "C3O2" was set up in April 2010. It includes representatives from the Communications and Sustainable Development Department, the Purchasing, Research and Innovation Department, the Industrial Affairs Department and the Industrial Departments of the three Divisions.

# 5.8. GROUP CARBON FOOTPRINT

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

ERAMET's carbon review was carried out jointly by Carbone 4, a company in receipt of ADEME approval as regards methodology, the Communications and Sustainable Development Department, the Industrial Affairs Department, the Group Purchasing Department, the environmental contacts at all Group sites and the logistical units in the 3 Divisions (for $CO_2$ emissions relating to freight transportation).

After checking and consolidating the data for 2007 and integrating the SLN carbon footprint carried out in 2008, the Group's carbon footprint for 2007 is approximately:

**6.35 million tons $CO_2$ equivalent.**

Breakdown by Division:

- 55% for Manganese Division;
- 39% for Nickel Division;
- 4% for Aubert & Duval;
- 1% for Erasteel.

Breakdown by item:

- **87% for energy** which includes energy consumption (electricity, gas, fuel oil, coal) and the consumption of reducing agents needed in the process (coke, coal, anthracite, etc.);
- **8% for freight;**
- **3% for "inputs":** $CO_2$ emitted during the production of the raw materials that were purchased, particularly the scrap for steelworks arc furnaces.

# 5.9. MAJOR PROJECTS

ERAMET is driving various major projects all over the world:

- the Weda Bay Nickel mining and hydrometallurgical project in Indonesia;
- the Comilog industrial project in Gabon;
- the new manganese alloy production plant in Guilin China;
- a new production plant specialised in titanium in Saint-Georges-de-Mons in France;
- the mining and hydrometallurgical project in Mabounié in Gabon;
- a new power plant in New Caledonia.

All these projects are developed in accordance with the Group's Sustainable Development policy, with its Code of Conduct and environmental, health and safety charters.

Environmental, social, corporate and health aspects are taken into account upstream. Experts and specialists in sustainable development are incorporated into the industrial, technical, legal and financial teams and participate in the various steering and management committees right from the feasibility and pre-construction stages. Likewise, they take part in the due diligences checks in the case of planned M&As.

The environmental control and corporate bodies binding the Group form an integral part of the investment process.

## 5.9.1. Weda Bay Greenfield Nickel project

In 2006, ERAMET acquired the Indonesian Weda Bay Nickel (WBN) deposit which represents one of the most attractive non-exploited deposits of nickel.

The Weda Bay Nickel project is in the feasibility stage and includes mining operations and the recovery of ores *via* hydrometallurgical processing. This hydrometallurgical process is specially adapted to ERAMET's nickel ores and has been patented. It allows the efficient use of deposits, the recovery of laterites and saprolites, a limited consumption of energy (the process is almost self-sufficient) and environmentally-friendly techniques (controlled waste and effluent). This process is classified as the Best Available Technique in the European reference documents (BREF Non Ferrous Metal) which is in the final stage of validation.

The project is developed in accordance with the 10 Equator Principles, the International Financial Corporation's Performance Standards, the best international practices and Group policy. The whole project is conducted in compliance with Indonesian regulations.

Since 2008, the Group has endeavoured to update and complete surveys on the initial state of the environment (water, air, soil, subsoil, biodiversity, fauna, flora, etc.) together with social and societal studies and public health studies and is supporting development initiatives for local communities.

ERAMET and the WBN entity have entrusted the performance of these studies and the assessment of the impact of the project to Indonesian and international specialists and experts.

The project aims to respect nature and people and ERAMET strives to:

- assess the level of social and environmental impact in order to ensure effective management;
- promote safe and healthy working conditions;
- prevent and reduce the risk of pollution;
- ensure the protection of the community and the respect for the dignity and culture of indigenous peoples;
- avoid forced movements and limit the negative social impact related to the acquisition of land on those people concerned;
- protect and conserve biodiversity by favouring the sustainable development of natural resources.

In 2010, WBN completed the surveys on the biodiversity of the land and water. It continued the process of drawing up inventories, measuring, checking, and acquiring farmland to be compensated. It also launched in-depth studies on the public health and eating habits of local people and studies on the cultural heritage. Moreover, WBN has developed ethnographical studies on a nomadic population present on and nearby the concession.

In 2010, WBN requested and obtained (July 2010) insurance from the World Bank's MIGA (Multilateral Investment Guarantee Agency) which covers the exploration and pre-construction phases against political risks. On this occasion, an intermediate dossier describing the environmental and social impacts of these two stages of the project was issued, prepared and audited in an in-depth manner. This was an opportunity to meet the local and national NGOs and to display the dossier on the Internet for 60 days in order to allow all stakeholders to submit their comments.

Moreover, in January 2010, WBN inaugurated:

- the project information centre which receives inhabitants from local communities every week (organised group visits);
- the Saloi Foundation which continues the local development programmes implemented since 2008. Priorities are established with local populations and stakeholders with regard to education, health, agriculture and fishing and light infrastructures.

## 5.9.2. Metallurgical complex in Gabon

Comilog is expanding its activity in Gabon. A metallurgical complex is being built near the existing mining facilities in Moanda. This complex will use pyrometallurgical and hydrometallurgical methods to process resources other than the ore resources currently sold or intended for the sintering plant, to produce silicomanganese and metallic manganese respectively.

In 2010, the study on environmental impact, the study on transport and the study on hazards were finalised in accordance with Gabonese and French legislation for all project phases, from the construction to the discontinuation of activities. The project was approved without reserves by Gabonese authorities in July.

Technical decisions were made in coordination with technical, environmental and financial teams, taking into account the best techniques developed in the Group and the Best Available Techniques (BAT) described in the European reference documents. For example:

- sulphur dioxide discharges compliant with BAT;
- the recycling of process water;
- residue from the hydrometallurgical process is filtered and stored according to the first in, last out, trench method;
- rainwater collection pools are suitable for the equatorial rains of Gabon.

## 5.9.3. The plant project in New Guilin

The Manganese Division aims to transfer its Guilin site to a dedicated industrial zone outside the city, thus freeing up a zone for urban redevelopment. The project will allow transition from blast-furnace technology to that of less-polluting electric furnaces. The project is reaching the final stage and has seen specialist teams working together with environmental and health & safety experts to draw up a high-performance industrial project, while controlling the impact and risks.

This industrial complex includes the total recycling of emitted dust and will function with zero aqueous discharge. Like with the pyrometallurgical plant project in Gabon, the best technologies developed for similar industrial activities within the Group were selected for use at Guilin. Construction is in progress and should be finalised in 2011.

## 5.9.4. The UKAD project

The new UKAD forging and conversion unit which will produce semi-finished products in the form of titanium billets and bars for the aerospace industry is being set up in Central France near the current Les Ancizes site, and will be devoted to the manufacture and sale of products made from titanium and nickel alloy, destined mainly for the aerospace market (landing gear, wings, fuselage, etc.).

This process will be used to change the physical and metallographic properties of the alloys to obtain highly-advanced products. The operating licence was obtained in October 2010 and integrates the Best Available Techniques (BAT) described in the appropriate reference documents.

### 5.9.5. Mabounié

ERAMET and Comilog are continuing surveys on recovery of the Mabounié deposit in Gabon. This deposit – to which Maboumine, a Comilog subsidiary, holds the mining exploration licence – offers, according to first estimates, important resources of niobium, rare earths, tantalum, and also some uranium. In partnership with AREVA, and in collaboration with Rhodia and several international research laboratories, ERAMET is working on developing a relevant hydrometallurgical process to recover these resources.

The first macroscopic environmental evaluation to establish the initial state of the environment was carried out in 2007. The project development stage continues and will be carried out in accordance with Gabonese regulations and with the 10 Equator Principles, the International Financial Corporation's Performance Standards, the best international practices and Group policy.

### 5.9.6. Development of existing processes

ERAMET also endeavours to develop its installations. Even during a period of economic crisis, several sites were able to carry out significant capital expenditure to control the impact on the environment and health. It is thus important to mention the effectiveness of replacing electric furnace No. 1 at Marietta, which was carried out in 2008, with the installation of technologies providing significant gains in terms of air emissions, both channelled and diffused. The programme to upgrade facilities continued in 2010. At Comilog Guangxi and Dunkirk, the systems for smoke capture on casting were refurbished. At Setrag in Gabon, systems for capturing and collecting liquid polluting residues have started to be optimised. At numerous sites, work has begun to rationalise water consumption and bring on stream closed loops.

At SLN, the programme to refurbish electrofilters, and install a capture system on non-equipped workshops continues (Bessemer and FD9). Moreover, the specific storage of sodium-calcium slag is operational.

### 5.9.7. Doniambo power plant

The construction of a new power plant in Doniambo to replace the fuel-oil fired power station is still being studied. The purpose of this new power plant would be to meet SLN's own energy requirements. This technically complex dossier also offers the opportunity to address environmental requirements. Studies are being carried out on the type of fuel – either coal or gas. The final choice of technology will be made in 2011.

## 5.10. RESPONSIBILITY FOR CHEMICAL PRODUCTS

### 5.10.1. REACH and the Group

In 2010, cross-company ERAMET teams continued to work diligently on different dossiers related to the chemicals used or produced within the Group. However, 2010 saw a great deal of activity from all the Group's legal entities which worked towards compliance with the provisions of the European regulation REACH.

Because of the diversity of activities, the three REACH Managers, each of whom is in charge of one of the Group's Divisions, and members of the Communications and Sustainable Development Department (DC2D) actively took part in the work of 10 consortia and relevant professional organisations. This mobilisation allowed all the registrations required by REACH to be made in due time.

In 2010, the key events for each of the three Divisions were as follows:

#### 5.10.1.1. FOR THE MANGANESE DIVISION

To limit the cost of registrations for the Division, the substance inventory was optimised after ERAMET incorporated the Norwegian companies of ERAMET Norway Kvinesdal and ERAMET Titanium and Iron Tyssedal as well as the French company Valdi.

As an active member of the Manganese Consortium, in 2009, through its subsidiary Erachem Comilog S.A., ERAMET applied for the role of Lead Registrant for five substances, namely manganese sulphate ($MnSO_4$), manganese dinitrate ($Mn(NO_3)_2$), manganese monoxide ($MnO$), manganese carbonate ($MnCO_3$) and trimanganese tetroxide ($Mn_3O_4$). A corresponding contract defining the responsibilities of the various parties was prepared and sent to the different relevant members of the Substance Information Exchange Forum (SIEF).

In concrete terms, in 2010, the eleven relevant legal entities of the Manganese Division made thirty-two registrations with the ECHA (European CHemicals Agency) for seventeen substances.

#### 5.10.1.2. FOR THE NICKEL DIVISION

The scientific and technical studies carried out under the guidance of the different consortia allowed the registration dossiers to be put together in good time, including the chemical safety reports and the exposure scenarios corresponding to the declared uses. This data will be integrated into the Safety Data Sheets, as required by the regulation. The two legal entities of the Nickel Division made fourteen registrations for thirteen substances. ERAMET SA and Eurotungstène are Lead Registrants for nickel chloride and fused tungsten carbide respectively. Moreover, two dossiers concerning products under development were successfully filed by Eurotungstène.

The intermediate dossiers were prepared very carefully in compliance with the latest guidance published by the ECHA, particularly with regard to the criteria on use in the "strictly controlled conditions". This work was complicated by the fact that the interpretation guidance on the regulation was published late and progressively over the whole year, thus obliging the Division to adapt its dossier by anticipating the approach.

The Dutch authorities suggested that cobalt carbonate – produced as an intermediary by the Sandouville plant – should be entered into the candidate list of Annex XIV. The ERAMET Group took part in the consultation organised by the ECHA following this filing and sent its comments on the Annex XV dossier as well as further information on the applications and conditions of use of this substance.

### 5.10.1.3. FOR THE ALLOYS DIVISION

The main REACH objective in 2010 was to check whether suppliers of raw materials and semi-finished products had complied with this new regulatory framework and validate the registration obligations of the Division's different legal entities in terms of substances and volumes to cover.

After carrying out a large survey among suppliers in 2010, it was possible to reduce the number of registrations to be made in the over 1,000 t tonnage band to one single substance in 2010: iron.

Given the strategic importance of purchasing, a study was conducted with the assistance of specialised legal consultants and this led to a training course for Alloys Division purchasers. The aim was to enable them to understand the risks and obligations related to this new regulation and integrate them into the purchasing decisions and the contracts they conclude.

At the beginning of 2010, active cooperation with the nickel and cobalt Consortia and with EPMA (the European Powder Metallurgy Association) was established to draw up exposure scenarios corresponding to the Group's uses and applications, such as the production of metal powders *via* atomisation.

Work carried out by the Titanium Consortium, created at the initiative of the Group's Alloys Division, resulted in the titanium registrations dossier which was successfully submitted by the Lead Registrant within the deadlines set out in 2010.

For some substances which will be registered within the next 2013 or 2018 deadlines and for which the Group is not a member of the corresponding REACH Consortia, contracts were signed in 2010 to obtain Letters of Access to the registration data.

### 5.10.1.4. AT GROUP LEVEL

DC2D ensured the coherence of the European REACH regulation processes by regularly conducting a steering committee. The efforts involved many of the Group's teams, creating an inter-multi-disciplinary network working around the three REACH Managers: buyers, salespeople, plant representatives, R&D, logisticians, lawyers, IT experts, etc. Each Division had a specific steering committee which monitored the work and took the necessary decisions to ensure its completion.

REACH regulations and the related developments are closely monitored in order to ensure that certain specific characteristics of the substances used or produced by the Group are defended and taken into account. The Group focuses all its attention on identifying substances of very high concern and the whole resulting process.

Indeed, REACH organises an authorisation procedure aimed at gradually replacing substances of very high concern with less hazardous substances. Selection of these substances involves the Member States, the Commission and the European Chemicals Agency in Helsinki (ECHA), as well as producing companies, importers and users of these substances and other interested parties. This selection process continued throughout 2010. ERAMET paid special attention to the monitoring of propositions made within this framework. At the end of 2010, two substances produced by the Group were included in the updated list of substances for which an authorisation was requested. However, it should be stressed that these two substances are very widely used as intermediates and the corresponding applications will therefore be exempt from the authorisation process, in accordance with the regulation.

Finally, the Group participates regularly in meetings of the French REACH discussion forums: the mirror group which includes industry representatives and the French authorities and the select MEDEF group which includes the same parties, but with fewer participants.

## 5.10.2. Strong involvement in professional bodies

ERAMET is highly involved and holds several key positions in professional bodies operating in its sphere, including:

- the DC2D Director, Vice-Chairwoman of Eurométaux, Chairwoman of FEDEM, Chairwoman of IMnI's HSE Committee;
- the Head of Institutional Relations, Chairwoman of FEDEMs Health, Safety and Environment committee (HSE), member of the Eurometaux HSE policy committee, also member of the Steering Committee and the general assembly of REACH Nickel Consortia and member of the committee working on cobalt consortium authorisations;
- ERAMET's Environment Department takes part in the Nickel Institute's scientific working groups, one of which is on the changing OEL in Europe;
- the Group's Environment Department chairs the technical groups of the Ni et Mn consortia;
- the Manager of the Alloys Division, member of the Board of the FFA and Manager of Aubert & Duval, member the Board of EPMA.

### 5.10.3. ERAMET and the international scientific community

ERAMET is particularly active in the scientific field involving studies assessing the toxicity of nickel compounds. Along with other manufacturers, ERAMET has contributed for several years to the dossier on the risk assessment of nickel compounds which the OECD completed in October 2008 *(Organisation de coopération et de développement économiques)* and which the European authorities regard as a reference (health and the environment). ERAMET continues its involvement in the work on the “sediment” compartment in the last part of this European Risk Assessment dossier on Ni compounds.

In May 2010, the SCOEL (European committee to assess the workplace atmosphere) suggested that European occupational exposure limits be set at 0.01 mg/Nm$^3$ (respirable dust). ERAMET played an active role in the work initiated by the Nickel Institute to comment upon the scientific basis of this proposition and carry out an advance study on the social and economic impact that it would produce.

With its dynamic participation in the activities of Eurométaux, ERAMET also contributed to the preparation of new methodologies to assess the impact of metals on the environment and on health (HERAG & MERAG) and continued its activity in the framework of the European project to identify and finalise methodologies to assess the impact of alloys on health.

ERAMET also plays a key role with regard to manganese and contributes to the development of scientific knowledge. Through its Environment Department, the Group actively contributed to the drafting of a five-year plan for the Manganese Institute in order to better integrate the notion of sustainability into the manganese industry. This plan is built around a specific objective which is to “Understand and then reduce the health impact related to manganese”.

### 5.10.4. Regulatory changes

In response to EC regulation 1272/2008 called “CLP”, related to the classification, labelling and packaging of hazardous substances, the legal entities of the Manganese, Alloys and Nickel Divisions have prepared and successfully submitted 49, 40 and 17 notification dossiers respectively.

As well as making the new labelling and packaging required by the CLP Regulation, the three Divisions have started to revise all the Safety Data Sheets.

Finally, ERAMET pays close attention to regulatory changes that may affect its present and future activities and actively worked on some of the recent changes, including:

- changes in the IED European Directive (Industrial Emission Directive);
- the finalisation of the European document on the Best Available Techniques for the non-ferrous metals industry and the referencing plan for Ni hydrometallurgical processes or technologies to reduce metal air emissions at Norwegian sites;
- the new regulations like the GHS (Global Harmonized System) and its European CLP version;
- revision 3 of the Seveso Directive;
- the transposition into French law of Directive 2006/21/EC on the storage of waste from extracting industries;
- revision of the Framework Directive on water and in particular the definition of environmental quality standards for top-priority substances including certain metals like Ni and Cu;
- etc.

## 5.11. INTEGRATION INTO THE COMMUNITY

### 5.11.1. Active and multi-faceted participation in local life

Wherever it operates, the ERAMET Group plays an active role in local communities in fields as varied as education, health, the environment and socio-cultural and sporting activities. The programmes developed at the sites endeavour to meet the expectations of the surrounding communities and the social challenges of the countries in which it operates as well as possible. These measures require both a long-term view, vital to the success of these programmes, and innovation in the way the projects are implemented and selected.

### 5.11.2. Active support for the education and training of young people

For over a decade now the Group has been committed to a policy of providing active support for the education and training of local communities and young people in particular.

Thus, ERAMET Holding is sponsoring the Association to Promote Equal Opportunities at School (Apféé). This funding will be given to twelve *“Clubs Coup de Pouce Clé”* (clubs that help children get started), located in Dunkirk and Grenoble where ERAMET has sites.

These clubs will provide help to about thirty children in their first year of primary school who are encountering reading acquisition problems and who therefore risk social exclusion.

Several of the Group's sites also provide active homework assistance. This is the case with ERAMET's American sites of Marietta and GCMC Freeport which sponsor the Ely Chapman Education Centre and the Boys and Girls Club of Brazoria County respectively.

In 2010, in New Caledonia, the Société Le Nickel-SLN continued its efforts for New Caledonian young people. Indeed, the SLN provides ongoing financial support for several programmes, including:

- "Juvénat Jules Garnier": as it has done since 2003, the SLN once again provided funding, amounting to 2.7 million CFP francs (€22,600), for a programme that aims to fight against academic failure by offering young people from very rural areas and the islands a special framework and heightened academic support;
- the initiatives of the CNAM (around 0.5 million CFP, *i.e.* €4,200);
- an agreement with the *Institut d'études politiques* in Paris allowed two students from New Caledonia in their first year of study in Political Science to do their two-week work placement at the SLN. This placement was an opportunity to discover the mining process, the industrial process and the different mining sectors;
- the *Centre de formation aux techniques minières et de conduites* (CFTMC) in Poro on the east coast which trains about 18 students every year for careers in maintenance and 80 in the operation of mining machinery.

In 2010 SLN also continued its participation in the "Cadres Avenir" programme created in 1998 as a result of the Matignon Agreements. The aim of this programme is to continue rebalancing the Territory by favouring the accession of local people to positions of responsibility after receiving training in mainland France. In 2010, within the framework of this programme, three SLN employees followed a training course at the ENSG (studying Mineralurgy, Metallurgy and Geology) with a view to taking up research and planning positions. A fourth employee followed a course at the Lille Engineering School (studying Maintenance) with a view to being promoted to an operational position.

Together with the careers office (BAIP) at the University of New Caledonia (UNC), the SLN actively takes part in various forums, representing further opportunities to present the various jobs available within the company and encouraging young people to continue their studies. In March 2010, the SLN took part in a jobs forum organised by the UNC at which engineers from the mine (geologists and operators) and engineers from the plant presented their jobs.

For several years, ERAMET's Nickel Division has been developing a project to operate a nickel mine on the island of Halmahera in Indonesia. To prepare for this major project, known as Weda Bay Nickel (WBN), a foundation called Saloi was set up in 2010.

This Saloi Foundation which works in close collaboration with its stakeholders actively supports the training of young people on the island. It facilitated the Memorandum of Understanding that was signed by five major universities: The University of Le Havre (France), where the Group's nickel refinery is located, three teaching establishments located on the islands of Ternate and Halmahera in Indonesia and the best Javanese university. Following the signing of these agreements, programmes are starting to be put in place. The Saloi Foundation also provides material support to the Ternate Mines Faculty by financing the purchase of equipment.

In Gabon, Comilog provides the entire funding, amounting to 800 million CFA francs (€1.2 million), for the Henri Sylvoz school complex which teaches 900 pupils, from pre-primary level to the last year of secondary education. The education is free and school supplies are financed by Comilog. The quality of teaching is high because in 2009, 100% of the pupils in their last year of secondary education obtained their Baccalaureate. In 2010, the Lycée Henri-Sylvoz was the fourth best school in Gabon, in terms of results.

In Europe, partnerships with primary and secondary schools are also being established. Since 2006, *via* the UIC network (Chemical Industries Union) ERAMET Sandouville (France) has been taking part in the organisation of the Lycée Schuman's "Industrial Careers" vocational Baccalaureate by organising theme-based site visits: Induction safety training, company organisation, safety passport, industrial process, product control, logistics and the environment. These visits take place over six days spread throughout the academic year. At the end of the year, pupils who pass the exam are given a *"Passeport Jeunes Chimie Sécurité"* which vouches for their raised awareness of the world of industry, its organisation and its careers.

Every year, almost all Group sites, both in France and abroad, host one or more apprentices. For example, Erasteel Commentry (France) hosted 10 apprentices in 2010, Aubert & Duval Gennevilliers (France) hosted 8, ERAMET ETI Tyssedal (Norway) hosted 12, and Aubert & Duval Les Ancizes (France) hosted 19. Some sites allow students to do the placement and project which mark the end of their university studies. This is the case with Erachem Comilog Tertre (Belgium), Valdi Le Palais-sur-Vienne (France) and ERAMET ETI Tyssedal (Norway). These placements often lead to the trainees being offered jobs within the companies.

Sites also establish partnerships which target a younger population. Agreeing to a project initiated by the Chamber of Commerce, the Erasteel Kloster Söderfors site (Sweden) has been sponsoring a middle/high school class of 13 to year-olds for the past three years. Employees from this site meet the schoolchildren at least twice every semester, going to the school for a lesson the first time and taking them on a visit of the site the second time. The Comilog Dunkirk site (France) had an open day last February, allowing the Pierre-et-Marie-Curie middle school in Gravelines to discover the careers available in the Industry. Under the leadership of Viameca, the Auvergne competitiveness cluster, Aubert & Duval Les Ancizes (France), took high school pupils on a visit of their workshops to introduce them to metallurgy and materials.

However, pupils and students are not the only ones to benefit from partnerships with companies because Comilog Dunkirk (France) hosted a teacher for two days as part of the "Connaissance de l'entreprise" Day organised jointly by the MEDEF and the Lille Education Authorities.

### 5.11.3. Support for and sharing in local initiatives on economic, cultural, sporting or environmental issues

The Société Le Nickel-SLN in New Caledonia celebrated two key events in 2010: the 100th anniversary of the Doniambo metallurgical plant, one of the world's two largest ferronickel production units and the 130th anniversary of the Société Le Nickel-SLN. Many events were organised on this occasion to allow New Caledonians to discover or rediscover the SLN and its mining and industrial sites. The SLN arranged various events, including a commemorative photo exhibition which was presented in the surrounding municipalities, the mining centres and in Nouméa and Koné.

Alongside these specific events, the SLN continued its active sponsorship policy in 2010, supporting sporting, cultural and social initiatives, in order to further its integration into the New Caledonian community. It set up 15 sports partnership agreements with various clubs: football, volley-ball, karate, badminton, swimming and dancing and it sponsored sports competitions, treks and marathon events. The SLN also entered into 11 cultural partnerships with music schools, theatre companies, film associations and choirs. 16 partnerships were developed with organisations such as the *Secours catholique,* the ADIE (association for the right to economic initiative) for the 10th year running, the Cancer League, associations that help disabled and old people, etc.

In 2010, the SLN organised the 18th "*Nickels de l'Initiative*" event, an annual sponsorship programme created in 1992 to support sports, cultural, environmental, scientific or solidarity programmes placing particular emphasis on a spirit of initiative. This year, 5.34 million CFP francs (€44,500) were spent to reward the numerous prize-winners. For example, 2,000,000 CFP francs (€16,700) were used to finance a trip to mainland France for young children recovering from a serious illness or in remission. Another example is the 300,000 CFP francs (€2,500) used to help Frédéric Patane prepare for the swimming event of the 2012 Paralympic Games. For 18 years, this sponsorship programme has made it possible to support around 190 prize-winners for a total sum of 72.3 million CFP francs – *i.e.* €600,500.

In Gabon, Comilog celebrates the feast day of Saint Barbe, the patron saint of miners. On this occasion, all of Comilog's industrial and mining sites are open to the public. Comilog employees organise demonstrations and offer a lot of attractions. As part of the day's festivities, meals are organised on all of Comilog's sites which can attract between 300 and 700 people, depending on the size of the site. To celebrate the day, concerts sponsored by Comilog are held at several spots in the town of Moanda.

The Group's other sites also play their part. Several sites in mainland France support local cultural life.

For the second year running, Airforge, the Aubert & Duval site in Pamiers, invited the association *"Musique au pays de Gabriel Fauré",* to give a concert in one of Airforge's workshops. It attracted about 300 people. The Aubert & Duval Les Ancizes site has been supporting the *"Union musicale en Combrailles"* for two years and it manages the local cinema "La Viouze". ERAMET's Sandouville site supports a cultural initiative by the Association "Sainte-Cécile du Havre" which is restoring a church that is dear to the heart of the people of Le Havre. Eurotungstène (Grenoble, France) is a member of the *"Association pour le patrimoine et l'histoire de l'industrie en Dauphiné"* (APHID) which aims to gain better knowledge of the technical, economic, social, cultural and human aspects of yesterday's industries in order to understand today's industries and to share this knowledge. It also aims to raise people's awareness of the value of the industrial heritage and safeguard the memory of the technical and socio-economic culture of a rapidly changing industry.

In Belgium Europe, Erachem Comilog Tertre once again sponsored the International Folk dancing Festival in Saint-Ghislain and the Hautrage Festival. The three Erasteel Kloster sites (Sweden) are involved in the cultural life of their region: Every year, they sponsor the local history associations, *Söderfors Hembygdsförening, Långshyttans Brukshistoriska förening and Hembygdsföreningen i Vikmanshyttan.* In May 2010, the Comilog Guilin site financed a symphony concert in the province of Linchuan in China.

Alongside these specific programmes, the Group's sites also participate in local sporting life by providing financial and sometimes logistical support for various sports clubs and events. ERAMET ETI Tyssedal (Norway) sponsors no fewer than five different sports clubs. Every year, the Langshyttan site (Erasteel Kloster – Sweden) provides financial support for a very special football match that brings together Swedish celebrities and company employees.

Sites are also involved in initiatives to promote environmental protection. ERAMET ETI Tyssedal (Norway) gives financial support to Bellona, an International NGO based in Norway which studies subjects like climate change, renewable energy and nuclear energy. Other American sites also take environmental protection initiatives in partnership with local associations: the reconstruction of dunes destroyed by hurricanes every year and even the protection of some threatened animal species.

Finally, the Group's sites work alongside charities. ERAMET Marietta (Ohio, USA) sponsors as many as seven non-profit organisations which help underprivileged people, providing food, medical assistance, advice in the event of conjugal violence, assistance when catastrophes occur and offering presents for underprivileged children, etc.

## 5.11.4. Considered support for the economic development of communities when converting sites or undertaking projects

In Gabon, Sodepal (Société d'Exploitation du Parc de la Lékédi), a subsidiary of Comilog, has for 20 years been managing *Parc de la Lékédi,* covering 14,000 hectares of savannah and forest in Haut-Oggoué, in the south-east of the Republic of Gabon. This park was developed between 1990 and 1994 on the remains of the old cable-car system that carried manganese ore from the Moanda mine to the Congo from where the ore was exported. Since then, Sodepal has managed to develop new activities to maintain the social fabric and work in the municipality of Bakoumba which has 3,200 inhabitants.

First of all, it is developing fish farming, which represents 60% of its sales. By constantly improving the Tilapia fish farming techniques, Sodepal has become the leading fish producer in Gabon with over 120 tons per year. Since 2008, the farming method has incorporated sustainable development concerns by abandoning fish meal in favour of a 100% plant food. This farming offers a growing source of animal protein for the population of Bakoumba and for the entire province more generally. Sodepal runs the department's only nursery school and thus allows its employees' children to get off to a good start at school. The company, which is the only economic operator in the *département* of Lékoko, is very involved in local development, also producing drinking water and electricity for the entire municipality of Bakoumba and maintaining a section of the town's access track. Moreover, Sodepal provides logistical support for all the government's public health campaigns organised in the *département.* Moreover, to help safeguard Gabon's cultural heritage, Sodepal supports one of the last traditional potters in Gabon as well as local basket makers and promotes the archaeological remains at *Parc de la Lékédi* (paleo-metallurgy site of Magnima). Not only does the Lékédi animal park play an important role in protecting biodiversity in Gabon, it also takes part in many research programmes. The Park has taken part in studies aimed at getting a better understanding of major pandemics like malaria and HIV/AIDS and finding ways to combat them.

The Saloi Foundation of PT WBN, a Nickel Division subsidiary, is very active on the island of Halmahera in Indonesia where the Weda Bay Nickel mining and metallurgical project is located. As part of its economic development support for the 21 neighbouring villages and in close cooperation with stakeholders, it is conducting several projects. For example, it has had 750 solar panels installed to supply electricity to 8 neighbouring villages; it has started to install running water in 2 villages and has built ten small medical units for young mothers. It pays the salaries of a permanent doctor and a nursing aide whose duties take them to the villages around Weda Bay. The Saloi Foundation is involved in the education of young people living near the project. It has financed the construction of classrooms, provided books and equipment, and it rents out dormitory rooms to students and teachers who live a long way from the schools. Finally, it contributes to teachers' training. Moreover, the Yayasan Saloi Foundation has already financed 49 school trips, including one to France. Yayasan Saloi also works outside Indonesia because it facilitated cooperation between the islands of Moluques du Nord where the island of Halmahera is located and the Region of Normandy in France. This cooperation led to the signing of four Memorandum of Understanding which will allow Indonesia to benefit from French expertise in health and education for example.

In 2010, this foundation already invested one million dollars in various programmes related to education, health, communities and the environment.

## 5.11.5. Attentiveness, dialogue and cooperation with stakeholders around sites

Being close to chemical, mining and metallurgy sites may make residents curious about the site's activities (its processes, products, businesses and commercial uses) and also lead to concerns regarding safety and environmental impact. More generally, the company interacts with a variety of stakeholders on a daily basis, with whom it has a responsibility to develop relations.

To get to know stakeholders better and meet their expectations, in 2009, the Group's French and Belgian sites, in cooperation with the Group's Communications and Sustainable Development Department, undertook a mapping process. This process was continued in 2010 and expanded to cover a larger geographic area. Amongst other things, this initiative has highlighted the multi-faceted best practices of sites concerning dialogue with their stakeholders.

Open days are therefore proposed at many of the Group's sites, both in France and in other regions in which it operates. This is the case with ERAMET ETI Tyssedal (Norway) which organised numerous site visits for very different audiences: primary and secondary schools, Unesco representatives, local politicians and young politicians from very varied backgrounds who are interested in how industrial sites operate and ordinary citizens (8.5% of the population of Tyssedal). Tyssedal and ERAMET's other two Norwegian sites Norway Porsgrunn and Sauda regularly receive Norwegian Members of Parliament to their sites. The Doniambo plant (New Caledonia) also opened its doors to different audiences on many occasions. This year, an open day for the general public was great success, attracting 500 people. Almost 1,400 secondary school pupils, association members and company employees visited the site on 80 days during the year.

Another example is the ERAMET Sandouville site (France) which took part (as it has been doing since 2007) in the "Industry Week" organised under the patronage of the Ministry for Ecology, Sustainable Development, Transport and Housing. During the 2010 "Industry Week", the site attracted about forty people.

Moreover, several of the Group's sites maintain dialogue with local residents and local and national environmental associations. This dialogue takes different forms: from sending out the site's annual HSE report (ERAMET ETI Tyssedal and ERAMET Norway Kvinesdal) to establishing more comprehensive cooperation providing regular information during the year on the company's plans and its programmes to renovate facilities and carry out work (repairing furnaces, capturing dust, etc.), explaining the impact of industrial activity on the environment, and it sometimes goes as far as the formal conclusion of agreements on cooperation between the site and environmental associations. The Guilin Comilog site in China has also adopted this type of approach. Indeed, it helped a neighbouring village repair a 700-metre long drinking water channel.

The Group's sites are also endeavouring to develop their relations with local communities, by working closely with representatives of regional communities and local authorities, with elected officials at the forefront. Thus, in France, teams at Aubert & Duval Les Ancizes invited partners in the UKAD project (State, region, department, municipalities) to the laying of the first building stone for the plant that will produce and sell titanium products for the aerospace market. This initiative follows on from last year's presentation of the UKAD project, its benefits and challenges to representatives of neighbouring municipalities (Saint-Georges, Les Ancizes and Chapdes-Beaufort).

More generally, ERAMET Alloys forges partnerships with local communities (municipalities, departments and regions) to conduct major training and recruitment drives, but also public transport and housing. Moreover, in China, Guangxi ERAMET Comilog Co. (GECC) has been holding monthly meetings since the start of the project with the authorities in the town of Chongzuo on matters connected with the safety of the site and its employees, hospital services or local educational infrastructures. In this regard, GECC regularly organises site visits for authorities and invites local village leaders to meetings to discuss environmental protection and other matters.

In Gabon, Comilog organises site visits throughout the year: plants, washery, quarries and mining station, for national elected representatives. More precisely, as part of the C2M project (construction of the Moanda Metallurgical Complex), numerous contacts and site visits were organised with the local authorities.

The sites also take part in local information committees set up in the industrial zones in which they are located:

- In France, the ERAMET Sandouville site takes part in the Local Committee for Information and Dialogue (CLIC) in the industrial port zone of Le Havre. Moreover, it also takes part in various committees that bring together industrial operators. The site's HSE manager is involved in the Environment, Health and Industrial Ecology Committee of the Le Havre Chamber of Commerce and Industry (CCI). The Director takes part in the Industrial Risks Committee. Sandouville is also on the Le Havre CCI Employment Management Committee, in the AFPI association (concerned with vocational training in the industry), in the MASE association (concerned with the safety of exterior companies), and in the ANFAS association (Safety in Companies).

  Comilog Dunkirk plays an active role in the initiatives of the S3PI (Permanent Secretariat for the Prevention of Industrial Pollution) in Gravelines.

  The two Valdi sites are involved in the Local Information and Monitoring Committees which bring together: the Sous-Prefet, representatives of administrative departments at the Sous-Prefecture, mayors from municipalities within the notification radius, associations (FRAPNA, ADSE, residents) and administrations (DREAL, ARS, Labour Inspectorate).
- In Belgium, the Erachem Comilog Tertre site, together with authorities and residents, takes part in the Tertre Industrial Zone Safety and Environment Committee. Moreover, in partnership with the other industrial operators in the zone (Yara/Wos), it has established an efficient operational procedure for centralising complaints from local residents (odours and noise), which are then passed on to the relevant companies.

Several of the Group's sites are involved in industrial ecology initiatives, in partnership with other industrial operators and players in the zones in which they are located.

In France, ERAMET Sandouville has, for several years, been carrying out an industrial ecology initiative in partnership with other companies in the industrial port zone of Le Havre and AUPAES (association of users of the alluvial plain of the Seine estuary). As part of this initiative, and together with other industrial operators and AUPAES members, the site took part in a study of the ground water of Le Havre's industrial port zone in order to define the best monitoring strategy.

Comilog Dunkirk has been a member of the Ecopal network (economic and ecological partners in local action) for several years and is keen to develop synergies with industrial operators in the *"Dunkerque Grand Littoral"* area based on the recycling of co-products. Founded in 2001, this pioneering association in industrial ecology aims to promote local sustainable development by facilitating the creation of synergies between its 200 member companies in the Dunkirk basin.

In Norway, ERAMET Norway Kvinesdal and ERAMET ETI Tyssedal have developed synergies with other companies and local authorities, supplying hot water to the local community and fish farms, thus allowing numerous buildings to reduce their heating consumption thanks to the recycling of water from industrial processes.

Some sites became involved in the local sustainable development initiatives taken in the region following the environmental roundtable *(Grenelle de l'environnement).* In 2010, Aubert & Duval in Pamiers took part in the town project called Agenda 21, working in the Pamier Urban Development Committee on the subjects of urban district heating and the development of rail-road transport in the town's industrial zone.

In 2009, ERAMET Sandouville's Site Manager took part in the discussions of the Seine estuary roundtable concerning 600,000 inhabitants living in 450 municipalities across three *départements* (Seine-Maritime, Eure and Calvados). This initiative continued in 2010, still within the framework of the workshop on Health and the Environment.

On another level and in addition to the actions described above, we should also mention SLN's participation in the work of the CNRT *(Centre national de recherche technologique* – National Technological Research Centre) on "Nickel and the Environment". Set up in 2008, the aim of this public interest grouping is to bring together scientists, industrial operators and the local authorities and to promote scientific and technical research to develop the mining resources of New Caledonia on the basis of three principles: the environment, respect for society and technological innovation. This centre is comprised of three groups. The first comprises the State and the local communities (New Caledonian government and provinces). The second is composed of scientific organisations (IRD, Ifremer, BRGM and IAC). The third is composed of industrial operators, including SLN, and the mining industries union. Besides participating on the centre's Board of Directors, SLN also participates in financing its budget.

As part of the "Nickel and the Environment" programme, the SLN actively participated in the project on "Small mining operations drainage basins" conducted by the University of New Caledonia, assisted by specialists from Cemagref (research institute focusing on science and technologies for the environment). This project is aimed at obtaining a better understanding of the circulation of water, upstream of drainage basins, taking into account the different geo-morphological and climatic conditions in the region, in order to minimise the impact of the transport of sediments downstream, in the small mining operations drainage basins of New Caledonia.

In concrete terms, the SLN took part in Cemagref's investigation mission in July 2010 and undertook to complete the existing equipment on the Poum site, chosen for the experiments, in accordance with the project team's recommendations.

# 5.12. A SPECIAL ATTENTION TO BIODIVERSITY

The United Nations declared 2010 to be the International Year of Biodiversity to alert public opinion about the state and consequences of biodiversity loss throughout the world. Five main goals were set for 2010:

- enhance public awareness of the importance of conserving biodiversity and of the underlying threats to biodiversity;
- raise awareness of the accomplishments to save biodiversity that have already been realized by communities and governments;
- encourage individuals, organizations and governments to take immediate steps to halt biodiversity loss;
- promote innovative solutions to reduce the threats to biodiversity;
- start dialogue between stakeholders on the steps to be taken in the post-2010 period.

The action plan involves protecting 17% of the world's land areas and 10% of its oceans by 2020, and mobilising the financial resources needed to implement this strategy.

France and more specifically the Ministry for Sustainable Development (MEDDTL) committed itself to the plan, side by side with the United Nations, by organising events throughout 2010, including the French Conference on Biodiversity held in Chamonix-Mont-Blanc on 10, 11 and 12 May 2010. This meeting brought together 400 people from various backgrounds (associations, local authorities, companies, government departments, public establishments, unions) and addressed the issue of the governance of public and private biodiversity policies.

Convinced of the need for free and open dialogue, the Ministry for Sustainable Development set up a steering committee comprised of about sixty people to prepare the conference: authorities, companies, associations, researchers in biology and social sciences, trade associations, farmers, land developers, government departments, public establishments, natural area managers. By bringing their own vision and culture, exchanging ideas and making new encounters, each person gained a lot from the conference. A representative of ERAMET attended the event and, within the framework of the working groups explained the initiatives taken by the Group to reduce the impact of its activities on biodiversity.

The French Conference on Biodiversity was the starting point for a new course of action. After the Conference, the process of drawing up the new national strategy for biodiversity (*Stratégie Nationale pour la Biodiversité* or SNB) was officially launched and will continue until 2011.

As part of the International Year of Biodiversity, in October 2010 ERAMET Holding organised, in partnership with the FEDEM (Federation of Ores, Industrial Minerals and Nonferrous Metals), a conference called "The mining and conversion of ores, industrial minerals and metals: how to better protect biodiversity". About forty people attended this conference: representatives of the leading mining and metallurgical companies (ArcelorMittal, Areva, Rio Tinto, Umicore, Lafarge, etc.), members of the Ministry for Ecology, Sustainable Development, Transport and Housing (MEDDTL), associations (Entreprise pour l'Environnement, OREE, etc.) and Gilles Bœuf, President of the French National Museum of Natural History, who introduced the conference. ERAMET representatives presented the challenges and opportunities of biodiversity for the industry and the good practices implemented by the Group to assess, prevent, reduce and repair its impact on biodiversity.

ERAMET attaches great importance to the characterisation and protection of biodiversity. These elements play a major role in the Group's activities, especially the mining operations in New Caledonia, Gabon and potentially Indonesia.

They are also integrated upstream, during the feasibility stage, into all new industrial projects. This is the case with the C2M industrial complex project in Gabon.

## 5.12.1. A specific commitment in New Caledonia

Société Le Nickel-SLN mines nickel deposits at different sites in New Caledonia, known for its rich biodiversity and abundant endemic species of flora and fauna.

For more than 30 years, the SLN has been developing reliable prospection, exploration, mining and restoration methods that respect the environment. They are the subject of in-house guides which the company has decided to share with the other mining companies in New Caledonia. In 2010, the different operators entered into discussions aimed at drawing up a New Caledonian good mining practices guide.

Since 1996, the SLN has replanted just over 50% of the surface areas cleared. Out of the 290 hectares of land cleared, 160 hectares have been treated *via* hydraulic sowing and planting. As these techniques are long and the conditions difficult, the short-term results are not very visible.

During the year, it also worked hard on reorganising the replanting activity, aiming to replant much larger surface areas (doubling them in 3 years) while continuing to improve the quality of the work carried out. To achieve this, the SLN reinforced its partnership with the local company SIRAS Pacifique which has been providing services to SLN since 1993 and with which it developed a replanting technique based on hydraulic sowing. Preparations for the next campaign have allowed it to set up the largest programme ever conducted at SLN, with 22 hectares of hydraulic sowing.

At the same time, it continues to upgrade the topsoil (the layer of fertile soil on the surface in mining areas) and treated about ten hectares of land in 2010 at all mining centres.

New Caledonia's new mining code, created in 2009, requires that environmental impact studies be carried out for all present and future mining operations. This regularisation is an opportunity to carry out a large-scale inventory of existing data on biodiversity and complete this with new characterisation studies. Therefore, work is being conducted by numerous specialists from various fields, *i.e.* botany, herpetology (the study of reptiles), ornithology (the study of birds), myrmecology (the study of ants) and even the marine environment (corals and fishes). This information will be compiled and summarised and will be used firstly to draw up concrete recommendations for operators on how to avoid or reduce the identified impact. Secondly, further action based on compensation will be proposed before being integrated into an overall biodiversity management plan applying to all SLN activities.

## 5.12.2. Adapted programs in Gabon

The Compagnie Minière de l'Ogooué (Comilog) exploits manganese ore on the Bangombé Plateau (at an altitude of about 600 m), in Moanda, Gabon. Comilog has developed ore extraction and recycling activities (washing plant and sintering plant) and has started building an industrial complex close to the current facilities which will group together pyrometallurgical silicomanganese production and hydrometallurgical metallic manganese production. Within the framework of this project, biodiversity studies were conducted on the site and integrated into the environmental impact study submitted to and approved by the authorities in July 2010.

In 2010, Comilog also launched two large-scale restoration programmes:

- The restoration of mining sites that have reached the end of their lives with a view to recreating a geomomorphology conducive to revegetation, making the area safe and creating sites dedicated to educational visits (presenting a geological section to visitors). The opencast mining of the manganese deposit in Moanda is comprised of three stages: The topsoil is stripped, the layer of overburden is removed and the actual mining is carried out. Bumps and hollows of a few metres high are created by the mining operations. In 2010, Comilog reshaped 50 hectares of land, *i.e.* the same area as the recently cleared area.
- The restoration of the river Moulili whose flow is disturbed by the accumulation of manganese sediments. This pollution is related to the washing plant operations and the sludge that was discharged into the river bed. The washing plant stopped discharging sludge into the Moulili at the end of 2010 and restoration work on the first section started. Restoration work will be spread over a period of 15 years and the banks and slopes will be landscaped gradually. At the end of the work, 170 hectares of land will have been restored and reintegrated into valley's landscape.

## 5.12.3. A major stake for the future in Indonesia

The Weda Bay Nickel (WBN) project is located on the island of Halmahera in the wet tropical region of Indonesia, just north of the equator. The topography is characterized by a narrow coastal strip, from 3 to 5 km in extent, including a fringe of coral reef. Behind the coastal strip, the landscape rises rapidly to reach a plateau of between 750 m to more than 1,000 m in altitude.

There are two evident ecological features about the island of Halmahera which is located:

- near the three ecological boundaries of Wallace, Weber and Lydekker which means that it has a mixture of Asian and Australasian species of fauna and flora;
- in the middle of the Coral Triangle which is world-renowned for its coastal and marine biodiversity and which stretches between the coasts of the Philippines, the Celebes and Papua.

Within this context, ERAMET and its subsidiary WBN have placed biodiversity at the heart of this Greenfield project by conducting studies to establish and assess the initial state of the environment with Indonesian and international experts and specialists. The aim of these studies is to fully establish the diversity of the ecosystem consisting of the local and regional fauna and flora so as to be able to avoid or limit the effect of future mining and industrial activities in the project impact area. In 2010, the studies centred on the fauna in terrestrial and aquatic environments and revealed:

- that there are no endangered or critically endangered species on the concession, based on the UICN red lists updated on 6 January 2011;
- that there are vulnerable species:
  - two bird species: the White Cockatoo *(Cacatua alba)* and the Chattering Lory *(Lorius garrulus),*
  - two amphibians,
  - one mammal: the lesser tube-nosed bat *(Nyctimene minutus);*
- a certain number of endemic mammals, reptiles, birds and molluscs.

At the same time, restoration programmes continue with:

- two nurseries are kept on the plain and foothills, to ensure the proper reproduction and growth of local species capable of adapting to disturbed soil;
- experimental testing of potted plants which involves comparing plant growth based on soil quality (combinations of topsoil, limonites and saprolites) and the addition or non-addition of compost;
- monitoring the 15-hectare area of foothills renovated and replanted in 2008, following the completion of mining tests (pilot mine, drainage system and debris basins). 7,000 plants of 19 local species had been planted and they showed a survival rate of 90%. Shrubs that had died were replaced at the same time during a new planting campaign.

WBN continued to set up observatories, *i.e.* plots of land where the growth of plants is monitored during the whole project, in order to visualise the impact of the mining operations on the surrounding environment. The other advantages of these plots is that firstly they offer sources of seedlings and a seed bank of local species for future restoration activities, and secondly their role as wildlife sanctuaries can be assessed. WBN intends to install six plots altogether near the mines and industrial facilities. In 2009, an inventory of the trees and shrubs on the foothill plots and the mangrove swamps was made. In 2010, the inventory was extended to plots in the ultramafic forests and the alluvial forests on the plain.

A booklet on noteworthy flora found on the WBN concession was produced, based on the studies establishing and assessing the initial state of the environment and on the inventories made on the four observation plots.

## 5.12.4. Alongside ERAMET activities

Alongside its activities, ERAMET and its subsidiaries also take initiatives to protect the environment and species found in the countries in which they operate.

Comilog (Gabon) has been supporting the *Parc de la Lékédi* in the province of Haut-Ogooué, in the south-east of the Republic of Gabon, for nearly 20 years. The park is managed by Sodepal (Société d'Exploitation du Parc de la Lékédi) and covers 14,000 hectares of savannah, gallery forests and lakes. In three distinct modules, it houses representative examples of local wildlife (primates, bush bucks, sitatungas, buffalos, cephalophus, etc.) and also species imported from Namibia (impalas, wildebeests, bonteboks, ostriches, etc.). It has been constantly maintained and regularly developed with a view to preserving fully protected species, animal observation and rearing. Sodepal has chosen to diversify to conduct activities highlighting the local resources, as well as the exceptional natural heritage of the region. It develops eco-tourism (holiday camps, rural discovery classes, etc.) and fish farming and encourages local crafts like basketwork and pottery.

With the aim of protecting the great apes in Gabon, the *Parc de la Lékédi* works with international organisations such as the Aspinall Foundation for gorillas and Jane Goodall International for chimpanzees. At the same time, the *Parc de la Lékédi* has hosted an original programme for several years for the reintroduction of mandrills into the wild. It continues to combat poaching and offers authorities various fostering solutions for animals caught.

Its efforts to protect the remarkable biodiversity of Gabonese forests were praised and encouraged by Ali Bongo Ondimba when he visited the park in July 2010.

In addition, within the framework of the International Day of Biodiversity, Comilog organised a big drawing competition for primary and secondary school children in Moanda based on biodiversity. Prizes for the best drawings were awarded at the Cité Cadre cinema after the film *"Vu du ciel, Spécial Gabon"* was shown and the drawings were exhibited in Comilog establishments. More than one hundred drawings were entered into the competition and all of them illustrated the richness of Gabonese biodiversity (drawings of large mammals) and the need to protect the environment: controlling forest fires, collecting waste, anti-poaching measures, etc.

The American subsidiary of Erachem Comilog, operating in New Johnsonville, Ohio, supports the National Wild Turkey Federation, an association aimed at protecting and hunting this bird *(Meleagris gallopavo).* Not only does it work towards protecting this bird whose population in North America has risen from 1.3 million individuals in 1973 to 7 million birds now, but it also strives to preserve a hunting heritage. Hunting seasons have now been established in 49 American states, in Canada and in Mexico.

# 5.13. HEALTH AND SAFETY

## 5.13.1. Safety

### 5.13.1.1. FREQUENCY RATE TRENDS

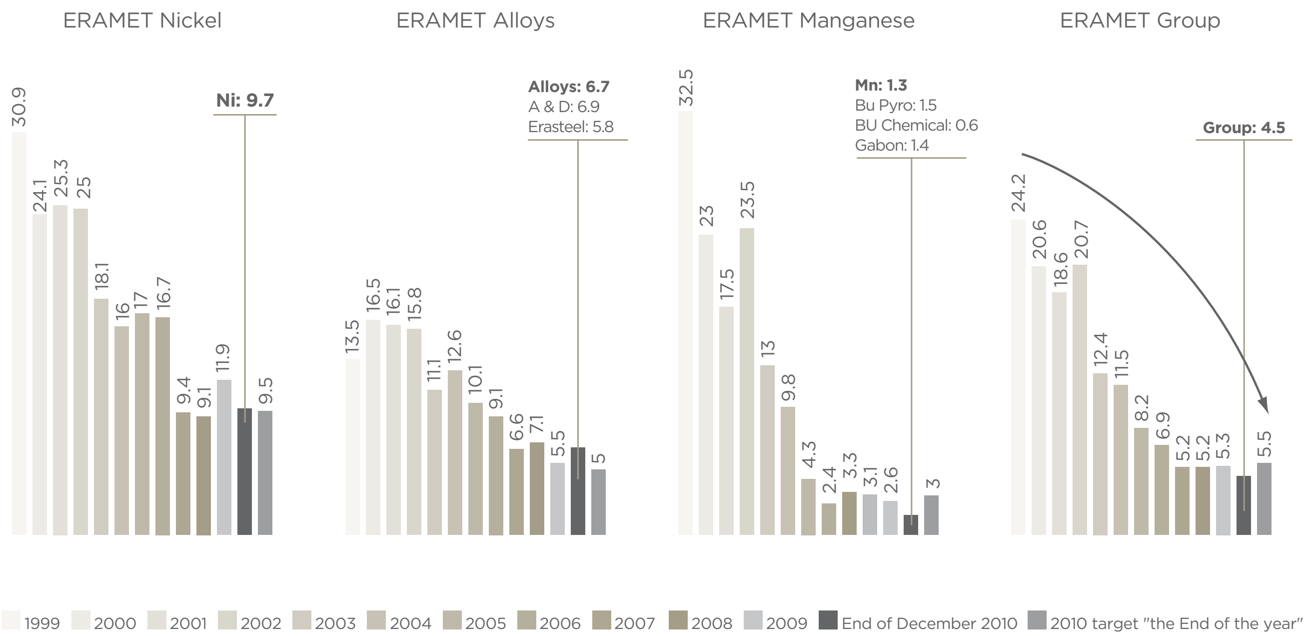
The frequency rate is defined as the number of lost-time accidents per million hours worked.

The chart below shows the Lost Time Injury (LTI) frequency rate (TF1) for the past ten years at a virtually constant scope (excluding Chinese metallurgical plants before 2003 and including successively Setrag in 2007 and Weda Bay in 2008).

A steady improvement in the frequency rate since 1999 (with the exception of 2002) can be seen, with the Group rate falling by a factor of over four and a half in eight years, then this frequency rate levelled off and remained almost constant for three consecutive years, at around 5.2.

The improvement seen between 1999 and 2008 is thanks mainly to initiatives in the Manganese Division (which accounts for close to half the hours worked in the Group), to a lesser extent the Alloys Division and, lastly, for 2007 and 2008, to the Nickel Division and more specifically Société Le Nickel-SLN in 2007 (2008 having witnessed the inclusion of the Weda Bay site in the Group's scope of consolidation).

The improvements achieved by the Manganese and Alloys Divisions were totally wiped out in 2009 due to the considerable deterioration in the accident rate at the Nickel Division and more specifically at the SLN.




* 12 Rolling Months.

2010 saw a significant improvement in the Group's frequency rate which broke away from the previously mentioned plateau (minus 0.7 point) and reached 4.5. This result corresponds to 20 fewer employees suffering occupational injuries (113 in 2010 and 133 in 2009). This improved frequency rate is the result of an excellent year at the Manganese Division which halved its accident rate (from 2.6 to 1.3). Unfortunately, this was offset by an unsettling year at the Alloys Division whose frequency rate reached 6.7 compared to 5.5 at the end of 2009. The Nickel Division had a very uneven year but at the end of the year it made a great recovery and was almost able to achieve its objective.

After a bad year in 2008 marked by 5 fatal accidents and 2009 in which there was one fatal accident, 2010 saw no fatal accidents.

Finally, we considered it necessary to introduce other indicators which give an overall view of accident rates at the sites (accidents which do not lead to time off work, nursing care, etc.). Therefore, we analysed the trend in 2010 and will communicate the results in 2011.

## 5.13.2. Safety audits

A site assessment policy is carried out through systematic audits at the average rate of one audit every two years for every site worldwide. The audits are carried out by the safety coordinators on sites overseen by the Health and Safety Manager based on a customised framework for the Group. This framework was drawn up several years ago in cooperation with DNV and is based both on the International Safety Rating System and on the Group Health and Safety policy signed by the Chairman.

### 5.13.2.1. INTRODUCTION OF V3 SAFETY AUDIT FRAMEWORK:

As from 2009, the ERAMET Group carried out all H&S and Health Safety and Environment (HSE) audits with the HSE V3 framework (which is modular and which, compared to V2, introduces new requirements, including those of the international framework OHSAS 18001 – 2008 and the international standard ISO 14001 – 2004).

In light of the significant changes to the framework, it is no longer possible to correlate the results of the audit for a site with those obtained during the previous audit. However, each closing meeting states the points that have improved and those that have not changed compared to the previous results.

In order to optimise the added-value for the sites, in 2009, the ERAMET Group supplemented these audits with additional initiatives providing support, sharing best practices, training, use of Gap Analysis, etc.

The results of these audits partly serve as the basis for drawing up the Group's action plan and then (and above all) the sites' action plan for the following two years.

### 5.13.2.2. SAFETY AUDITS IN 2010

In 2010, following specific requests from sites, the teams of auditors (always made up of the Group H&S Manager and senior auditors such as the medical officer or the Environment Coordinators) carried out H&S or HSE audits on 14 sites:

- HSE audits on 6 sites (Champagnole, Heyrieux, Pamiers, Dunkirk & Porsgrunn) including the first audit on a Norwegian site (Kvinesdal) which recently joined the Group;
- H&S audits on 8 sites (Interforge, Issoire, Comilog Moanda, ERAMET Research & Les Ancizes) including 3 audits on sites that recently joined the Group and audited for the first time, *i.e.* Erasteel in Romeoville, USA, and Valdi in Feurs and Le Palais-sur-Vienne, France.

Following these audits and before leaving the site, the audit team and Management draw up the guiding principles of the Action Plan to deal with any significant anomalies observed, highlighting, if appropriate, any of the other sites' Best Practices that the site could adopt.

### 5.13.2.3. HSE SEMINAR (HEALTH, SAFETY AND ENVIRONMENT) IN 2010

In April 2010, a two-day seminar was held in Clermont-Ferrand. The number of international participants was high but not as high as for the 2008 Grenoble seminar. This was no doubt due to the economic situation.

### 5.13.2.4. SPECIAL TRAINING PROGRAMMES

In addition to "regulatory" training programmes (handling fire extinguishers, operating handling equipment, basic life-saving skills, prevention of physical activity-related risks, etc.), in recent years the ERAMET Group has developed special training programmes for supervisors and/or operators.

The purpose of these modules is to explain and inform the Company's employees about a certain number of topics such as shared definitions for frequently used terms (accident, incident, danger, risk, etc.), accident occurrence methods (risk tolerance), roles and responsibility ("ordinary" and criminal) of supervisors, the rights and duties of operators, statistics, the increasing incidence of behavioural causes in the occurrence of accidents, management tools (BIRD pyramid, safety minute, audits, etc.), occupational health and safety management systems, Prevention Plans for external companies, the employer account, etc.

For example, in 2009, two groups of about 15 engineers from ERAMET Research in Trappes followed this training course, as did all members of the supervisory staff of the A&D site in Les Ancizes.

Other types of training courses were provided for those in charge of managing subcontractors, such as at the A&D Distribution Centre in Heyrieux and at A&D in Issoire.

Lastly, specific support was provided to newly-hired or promoted H&S organisers, such as at A&D in Imphy and at Eurotungstène in Grenoble.

In 2010, in response to increased demand from sites, the ERAMET Group continued providing the scheduled training modules (Les Ancizes & Imphy) and also introduced a trainer training course which will multiply the number of modules provided within the sites. Thus, a H&S training module for managers, which can be customised for each Division, was formalised and made available to the Divisions. Moreover, three teams of instructors (New Caledonia, France and Gabon) were put together and trained in the teaching methods needed to provide the above-mentioned modules. Instructors are carefully accompanied and shadowed during their first lessons.

#### 5.13.2.5. WORK STATION RISK ANALYSIS

An important initiative in the 2010 Action Plan was to ask the sites to:

- draw up a list of all the current work stations on the site;
- analyse and assess the risks that exist at these work stations, firstly concentrating on 33% of the work stations.

This essential process, allowing properly prioritised preventive action to be defined, was implemented and the objective was surpassed because **59% of the work stations were the subject of risk analysis and assessment.**

### 5.13.3. Health and Safety

The health safety of employees, whatever their status, of personnel from outside companies, of visitors and people living in the vicinity of the industrial sites is a priority for the ERAMET Group.

The goal of the Group health policy is to control all health risks in order to minimise their frequency and seriousness.

The ERAMET Group wants to have detailed, in-depth information on all the dangers associated with its activities. It wants to contribute to the development of knowledge on these subjects, distribute it and promote dialogue.

To this end, a Group health policy was established in 2007. The Group medical officer is responsible for its coordination.

As part of its Sustainable Development policy, adopted in 2009, the ERAMET Group confirmed its policy of protecting its employees and controlling the impact of its industrial processes on health and the environment. This Sustainable Development policy sets out the main principles of the Group's health policy.

#### 5.13.3.1. HEALTH POLICY GUIDING PRINCIPLES

This policy is based on the following guiding principles:

- reducing work-related health risks or the health impact of ERAMET products or industrial activities through the involvement of everybody and in liaison with occupational health specialists, management and health and safety and working condition committees and/or similar bodies;
- complying with local regulations, applicable rules and health standards drawn up by the Group;
- fostering everybody's responsibility in safeguarding health *via* clear, transparent information on health risks and the relevant preventive measures;
- contributing actively to scientific work on risks inherent in products and processes;
- and putting in place the necessary measures to ensure the application of this health policy.

#### 5.13.3.2. PRIORITY ACTIONS APPLYING THE PRINCIPLES OF THIS HEALTH POLICY

These priority actions are as follows:

- making health and working conditions a factor in all decisions on a day-to-day basis and at all management levels in the same way as safety and the environment;
- drafting, distributing and applying the standards, guides and procedures necessary for the health policy in cooperation with the workforce and their representatives;
- preparing a health action plan for each unit making it possible to respond to risk assessments. Implementing the most suitable work equipment to protect health, informing employees and raising their awareness of the risks and listening to staff representative bodies are all aspects of this approach;
- ensuring a monitoring process to enable the early detection of health problems that could relate to production processes or products marketed. Measuring exposure and suitable medical monitoring of risks in line with current scientific data are essential to ensuring the traceability of occupational exposure;
- continuing scientific monitoring and benchmarking of new risks and best practices by means of an active contribution, especially within professional bodies, to the development of scientific knowledge relating to the health impact of the Group's activities and products;
- developing a policy to combat addictive behaviour;
- identifying the worst work posts for lumbago and musculoskeletal disorders *via* an analysis method in order to achieve the ergonomic set-up of the work posts in question.

#### 5.13.3.3. THE RESOURCES PUT IN PLACE

The Group's health-related initiatives are implemented in line with the Health Policy using the network of Group doctors and health unit managers overseen by the Group Medical Officer, and also with the support of the site safety and/or environment contacts for the related technical aspects.

The Group Medical Officer is also responsible for coordinating the network of occupational doctors and health department managers, for putting in place strategies for knowledge/skills sharing between the health units and the safety and/or environment units, for making the main operational managers aware of these initiatives and for providing advice on the use of toxic or hazardous products. He acts as an interface between professional and environmental health aspects and contributes to the drafting of the health sections of impact studies.

The *"Projet Zéphyr",* a Psychosocial Risk Prevention programme, is implemented by a dedicated sociologist.

### 5.13.3.4. ANNUAL AND MULTI-ANNUAL OBJECTIVES WITHIN THE FRAMEWORK OF THE SUSTAINABLE DEVELOPMENT POLICY

As part of the implementation of its Sustainable Development policy, the Group has defined annual and multi-annual objectives that integrate health aspects. In 2010, the Ni and Mn toxicity studies were completed as part of the REACH consortia.

New Ni classifications (particularly, chronic toxicity by inhalation and the CMR classification (Carcinogenic, Mutagen, Reprotoxic) of some compounds) have resulted in the application of more stringent regulations with regard to occupational health and the management of industrial sites.

The classifications of Mn substances were also reconsidered during the studies carried out by the Mn consortium which concluded that none of them corresponded to CMR classification criteria.

Guidelines on the medical monitoring of employees exposed to Ni and Mn were drawn up and shared within the industry's organisations. The implementation phase should start in 2011 in the industrial sites concerned.

### 5.13.3.5. TANGIBLE INITIATIVES

The Group's determination to ensure early detection of health problems that may be related to production processes has led to improvements in monitoring employees' exposure to chemical risks, in particular, atmospheric measurement and bio-monitoring. The traceability of exposure in certain establishments is ensured. In 2010, work to implement these practices in other sites continued and was adapted in line with changes to the classification of substances.

Scientific monitoring, benchmarking of new risks and best practices are developed thanks to involvement in professional organisations, national and international conferences and enable occupational health and environmental health to be monitored. All this work enables the health and safety standards established and shared by the Group to be enhanced.

#### AWARENESS OF RISKS AND DANGERS

As regards manganese, ERAMET is carrying out a certain amount of work to enhance knowledge.

Similarly, work was carried out in 2010 within the IMnI (International Manganese Institute) to develop a standardised method for atmospheric measurement of manganese This task was entrusted to the Institute of Occupational Medicine (IOM Edinburgh), an internationally-renowned organisation that has developed measurement methods that are used as benchmarks in numerous countries. Measurement methods vary greatly from one country to another owing to local regulations and existing protocols. This means that it is difficult to compare situations and to understand the correlation between exposure levels and medical diagnosis. A measurement protocol was established and accepted by the EHS Committee of the IMnI. Four industrial sites working with ferro- or silicomanganese and the chemistry of manganese, including one ERAMET Group site, were subject to measurement campaigns on the basis of the agreed protocol. The IOM finalised the standardised method for atmospheric measurement of manganese.

More fundamentally, through the IMnI, ERAMET continued to be involved in the "Neurotoxicity Research Program" in order to make scientific progress regarding knowledge of the health effects of Manganese. This new programme is in the process of being developed.

#### ACTIONS AT SITE LEVEL

Being aware of its corporate social responsibility, ERAMET is involved in its establishments' health policies and acts as a good corporate citizen:

- The Chinese establishments have dispensaries.
- Through its medical, surgical and maternity units, Comilog's Moanda hospital in Gabon provides healthcare to the company's employees, to their beneficiaries and to a part of the population. In 2010, paediatric services were added to the gynaecology services. Repair work on existing premises and the construction of a building to house the radiology department were carried out in 2010, thus improving patient services.
- In Owendo (Gabon), Setrag has a dispensary which provides consultations for employees and their beneficiaries thanks to the presence of four doctors, two of whom are occupational health physicians.
- These two establishments have X-ray equipment and laboratories and ensure the supply of medicines necessary for treatment. Setrag's care facilities in the stations along the railway line are subject to agreements with local doctors.
- The Gamma Plan to combat AIDS, launched in Gabon in 2006 continues.

  This programme is aimed at employees of Comilog, Setrag and Sodepal together with their families, and includes initiatives on communication and health education, preventive action, and support for those infected by HIV.

  Following the success of the voluntary and anonymous screening campaigns (more than two-thirds of employees took part), the distribution of condoms to employees and their families continued. More than 250,000 condoms are distributed every year to the 3,000 employees at the two entities.

  Staff and members of their families who wish to be tested, or who are living with HIV, are supported by the company, at Comilog and at Setrag, under partnerships with government health organisations.

  The communication campaigns and in-the-field initiatives were continued in 2010. At Comilog, the awareness campaign in the Moanda housing estates and schools was a great success. In 2010, about forty Comilog employees received Peer Educators training (Peer Educator: Counterpoint trained to circulate information on HIV/AIDS) at the Moanda and Owendo sites. One of the main objectives of the Gamma Plan for 2011 will be the creation of a local network of partners. This network is mainly made up economic operators present in the local area.

- The SYSMIN Environment and Health study carried out at Moanda's mining and industrial site was completed in 2010. The expert report was presented to the authorities, elected representatives, representatives of workers and the population. A steering committee prepared proposals for the implementation of recommendations made by the experts. A consultative committee comprised of all the stakeholders approved the proposals made by the steering committee. Some of the recommendations will be implemented by Comilog and some by the authorities.
- The Go Care programme has been in place since 2008. It provides better medical monitoring and preparation for the risks relating to foreign travel and expatriation for travellers and expatriates. Almost 90 more people subscribed to this programme in 2010, joining the 150 people who already benefitted from it.
- The experience acquired from drawing up the action plan to combat the A(H1N1) flu pandemic was consolidated to allow the Group to adapt and respond rapidly if a new health emergency should arise.
- Chinese establishments received special attention with regard to health in 2010. Occupational health risks were reviewed and the recommendations proposed were integrated into a plan of action.
- At the beginning of 2010, a multidisciplinary group of prevention officers was set up in order to harmonise the management and prevention of CMR products, particularly risk assessment, prevention and traceability methods with the support of a new IT solution.

Concerning stress, further to the French government's National Multi-Industry Agreement and the Emergency Plan to combat occupational stress, a Group agreement was signed by all the trade unions of mainland France on 9 September 2010 defining a plan of action called *"Projet Zéphyr".*

One phase of the plan of action is the diagnosis phase. The WOCCQ (WOrking Conditions and Control Questionnaire), a collective Psychosocial Risk assessment method, is placed under the scientific control of the University of Liège (Belgium). This assessment will serve as a basis for the sites' Psychosocial Risk prevention plans.

Communication campaigns, prior to the questionnaire, were launched at the end of 2010.

The roll-out, scheduled for all establishments in mainland France, had already started at some sites in January 2011.

### 5.13.3.6. ASBESTOS RISK

ERAMET has set up a central internal unit to track all occupational illness cases and, in particular, those related to asbestos. It can prove that it has never produced or transformed asbestos, nor sold equipment that is fully or partly made of asbestos. ERAMET has never used asbestos as a raw material; it has only been used as a material in some of the company's employee protective gear and, more generally, heat transfer equipment.

For example, heat-resistant materials containing asbestos, used in the past at the Les Ancizes site, represent less than 1% of all heat-resistant materials used at the site.

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

A survey carried out at ERAMET's French sites (including New Caledonia) from 1983 to 2010, revealed 446 cases of asbestos-related occupational illnesses, primarily pleural plaques and pleural thickening (77%), 129 of which were recognised and attributed to Group companies. Of the 91 actions for gross negligence that were filed at the end of 2010, proceedings are still underway for 11 of them. Provisions for asbestos-related risks have been recognised based on the compensation typically awarded in such cases.

# 5.14. HUMAN RESOURCES

## 5.14.1. Employee policy

The ERAMET Group consists of companies, the activities of which must fit into specific local environments. The ERAMET Group's business activities have a marked international dimension (over 65% of the Group's employees work outside mainland France) both in terms of marketing and management and industrial production. The Group's human resources management is thus decentralised based on strong principles and shared tools for all Group companies and sites, key for the implementation of a long-term employee policy, with the necessary mobility and development.

ERAMET Group's employee policy is based on joint action frameworks, decentralised implementation with the corresponding reporting and the clearly demonstrated desire for:

- dialogue with social partners, both formally (remuneration policy, training, welfare and employment management) and on a day-to-day basis on sites;
- strong Group management involvement (information and discussion seminars, meetings with Group and company managers, intra and inter-divisional career development and mobility);
- involving all employees in the life of their Company and Group *via* regular, clear information (regularly distributed company and site newsletters, Group intranet and integration days for newly hired employees).

The ERAMET Group feels that its employees genuinely drive its performance. They are responsible for the strength of the customer relationship, which is at the heart of the Group's business development. They are also responsible for future growth driven by enhanced technological leadership and on the most comprehensive possible demonstration of their managerial and technical capabilities. Lastly, they are responsible for controlling the management and operational excellence in each division.

The ERAMET Group's Human Resources strategy is an adaptation of the strategy adopted by the Group confronted with business challenges. It is based on 6 main strategic objectives:

- identify, attract, retain and develop talented people;
- develop and recognise performance that creates value;
- strengthen managerial skills, define and promote the role of management;
- help implement an employee-friendly working environment that complies with Group values;
- develop and promote constructive relations with social partners;
- develop the operational excellence of the HR function.

## 5.14.2. Workforce

On 31 December, the total workforce remained stable, standing at 14,537 employees, compared with 14,670 on 31 December 2009.

| | France | | | Other European countries | | | North America | | | Asia | | | Other regions | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2008 | 2009 | 2010 | 2008 | 2009 | 2010 | 2008 | 2009 | 2010 | 2008 | 2009 | 2010 | 2008 | 2009 | 2010 |
| Holding company* | 278 | 286 | 288 | 19 | 18 | 20 | 12 | 14 | 14 | 34 | 19 | 26 | 9 | 9 | 7 | 352 | 346 | 355 |
| Nickel Division | 366 | 369 | 366 | 0 | 0 | 0 | 0 | 0 | 0 | 258 | 301 | 341 | 2,502 | 2,403 | 2,305 | 3,126 | 3,073 | 3,012 |
| Alloys Division | 4,298 | 4,179 | 4,085 | 619 | 477 | 503 | 37 | 36 | 43 | 128 | 96 | 120 | 0 | 0 | 0 | 5,082 | 4,788 | 4,751 |
| Manganese Division | 142 | 135 | 246 | 1,083 | 1,008 | 903 | 786 | 581 | 697 | 2,226 | 1,902 | 1,862 | 2,944 | 2,837 | 2,711 | 7,181 | 6,463 | 6,419 |
| **Total** | **5,084** | **4,969** | **4,985** | **1,721** | **1,503** | **1,426** | **835** | **631** | **754** | **2,646** | **2,318** | **2,349** | **5,455** | **5,249** | **5,023** | **15,741** | **14,670** | **14,537** |

* *ERAMET Holding including ERAMET Research, ERAMET Ingénierie and ERAMET International. As a holding company, ERAMET represents 138 people.*

On 31 December 2010, 34% of ERAMET's total workforce was in France, 10% in the rest of Europe, 5% in North America, 16% in Asia and 35% in the rest of the world (Gabon and New Caledonia). Gabon had 2,711 employees listed on 31 December 2010, and New Caledonia had 2,305 employees.

The listed workforce remained stable between 2009 and 2010 for each Division.

The various Group companies also employed 667 temporary workers on 31 December 2010, representing the full-time equivalent of 524 temporary workers. 46% of the temporary workers, *i.e.* 306 people, are employed in France and 37% at the Weda Bay site in Indonesia.

### 5.14.2.1. HEADCOUNT BY TYPE OF EMPLOYMENT CONTRACT

Out of the 14,537 Group employees on 31 December 2010, 13,020 (representing 89.6%) had open-ended contracts and 1,517 fixed-term contracts.

The technical nature of mining and metallurgical jobs calls for a long period of professional training. Very little use is made of short-term contracts, which represent about 2.5% of the workforce outside Asia. 76% of fixed-term contracts concern Asia (China and Indonesia), where the use of fixed-term contracts is more widespread and corresponds to modes of management that are specific to these countries. Employees on fixed-term contracts within the Group have the same social entitlements and benefits (insurance schemes, healthcare costs, profit-sharing, etc.,) as employees on open-ended contracts.

| | Open-ended contracts | | | Fixed-term contracts | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2008 | 2009 | 2010 | 2008 | 2009 | 2010 |
| Holding company* | 319 | 329 | 339 | 32 | 17 | 16 | 352 | 346 | 355 |
| Nickel Division | 3,016 | 2,954 | 2,870 | 110 | 119 | 142 | 3,126 | 3,073 | 3,012 |
| Alloys Division | 4,838 | 4,597 | 4,453 | 244 | 191 | 298 | 5,082 | 4,788 | 4,751 |
| Manganese Division | 5,715 | 5,454 | 5,358 | 1,466 | 1,009 | 1,061 | 7,181 | 6,463 | 6,419 |
| **Total** | **13,889** | **13,334** | **13,020** | **1,852** | **1,336** | **1,517** | **15,741** | **14,670** | **14,537** |

* *ERAMET Holding including ERAMET Research, ERAMET Ingénierie and ERAMET International. As a holding company, ERAMET represents 138 people.*

### 5.14.2.2. HEADCOUNT BY GENDER

Female employment in the mining and metallurgical sectors has traditionally been low, as can be seen from the table below, with women representing some 15% of all employees. More precisely, they represent 16% of the workforce in France and in Europe, 12% in North America, 22% in Asia and 12% in the rest of the world.

| | Male | | | Female | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2008 | 2009 | 2010 | 2008 | 2009 | 2010 |
| Holding company* | 218 | 210 | 224 | 134 | 136 | 131 | 352 | 346 | 355 |
| Nickel Division | 2,798 | 2,732 | 2,676 | 328 | 341 | 336 | 3,126 | 3,073 | 3,012 |
| Alloys Division | 4,406 | 4,103 | 4,103 | 676 | 685 | 648 | 5,082 | 4,788 | 4,751 |
| Manganese Division | 5,855 | 5,390 | 5,356 | 1,326 | 1,073 | 1,063 | 7,181 | 6,463 | 6,419 |
| **Total** | **13,277** | **12,435** | **12,359** | **2,464** | **2,235** | **2,178** | **15,741** | **14,670** | **14,537** |

* *ERAMET Holding including ERAMET Research, ERAMET Ingénierie and ERAMET International. As a holding company, ERAMET represents 138 people.*

### 5.14.2.3. BREAKDOWN OF WORKFORCE BY SOCIO-PROFESSIONAL CATEGORY

The concept of socio-professional category in the French sense of the term is difficult to transpose to every country in which the Group operates. However, companies located in mainland France, New Caledonia and Gabon share the same concepts. Given that this represents some 70% of the headcount, it seems relevant to use the following definitions:

| | |
|---|---|
| Management: | Executives, managers, post-graduate staff, civil engineers (white collars). |
| Supervisory staff: | Clerks, technicians and foremen (white collars). |
| Workers: | Workers (blue collars). |

The staff breakdown by category has been relatively stable over the past three years, although with a significant upward trend in the level of qualifications. Accordingly, blue collar workers represented 63% in 2005 compared to 57.5% in 2010, supervisory level employees made up 26.3% in 2005 compared to the current 31% and, lastly, management accounted for 9.8% of headcount in 2005 but represents 11.5% today. This stems both from the rapid increase in management and technical requirements and the progression of Group plans.

| | Workers | | | Clerks, technicians and foremen | | | Management | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2008 | 2009 | 2010 | 2008 | 2009 | 2010 | 2008 | 2009 | 2010 |
| Holding company* | 3 | 0 | 1 | 138 | 133 | 134 | 211 | 213 | 220 | 352 | 346 | 355 |
| Nickel Division | 1,782 | 1,700 | 1,613 | 1,092 | 1,116 | 1,145 | 252 | 257 | 254 | 3,126 | 3,073 | 3,012 |
| Alloys Division | 3,081 | 2,843 | 2,794 | 1,543 | 1,476 | 1,469 | 458 | 469 | 488 | 5,082 | 4,788 | 4,751 |
| Manganese Division | 4,622 | 3,966 | 3,950 | 1,751 | 1,751 | 1,762 | 808 | 746 | 707 | 7,181 | 6,463 | 6,419 |
| **Total** | **9,488** | **8,509** | **8,358** | **4,524** | **4,476** | **4,510** | **1,729** | **1,685** | **1,669** | **15,741** | **14,670** | **14,537** |

* *ERAMET Holding including ERAMET Research, ERAMET Ingénierie and ERAMET International. As a holding company, ERAMET represents 138 people.*

## 5.14.2.4. AVERAGE AGE

The average age, as can be seen from the table below, is relatively constant across professional categories and Divisions.

Employees over 50 account for 22% of the total workforce and those 30 or younger a little over 15% of the total, slightly down on previous years.

Future Employment and Expertise Management is an HR tool undergoing progressive and significant development.

| | Workers | | | Clerks, technicians and foremen | | | Management | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2008 | 2009 | 2010 | 2008 | 2009 | 2010 |
| Holding company* | 26 | - | 40 | 41 | 40 | 41 | 44 | 44 | 44 |
| Nickel Division | 36 | 34 | 34 | 33 | 42 | 42 | 41 | 43 | 42 |
| Alloys Division | 38 | 41 | 41 | 43 | 43 | 41 | 44 | 43 | 44 |
| Manganese Division | 41 | 44 | 43 | 44 | 44 | 45 | 45 | 47 | 48 |
| **Total** | **39** | **40** | **41** | **41** | **42** | **43** | **44** | **45** | **45** |

* *ERAMET Holding including ERAMET Research, ERAMET Ingénierie and ERAMET International. As a holding company, ERAMET represents 138 people.*

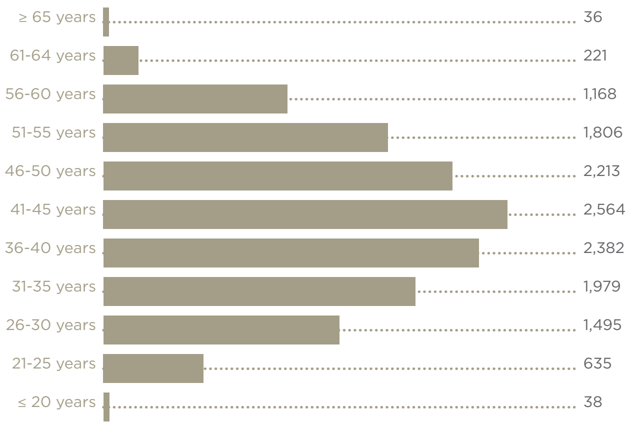
## 5.14.2.5. LENGTH OF SERVICE

| | Workers | | | Clerks, technicians and foremen | | | Management | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2008 | 2009 | 2010 | 2008 | 2009 | 2010 |
| Holding company* | 1 | - | 8 | 11 | 11 | 10 | 9 | 9 | 8 |
| Nickel Division | 10 | 8 | 8 | 13 | 13 | 13 | 8 | 8 | 9 |
| Alloys Division | 15 | 13 | 14 | 17 | 15 | 15 | 11 | 10 | 11 |
| Manganese Division | 15 | 15 | 14 | 17 | 17 | 17 | 14 | 14 | 14 |
| **Total** | **14** | **13** | **14** | **16** | **14** | **15** | **12** | **12** | **11** |

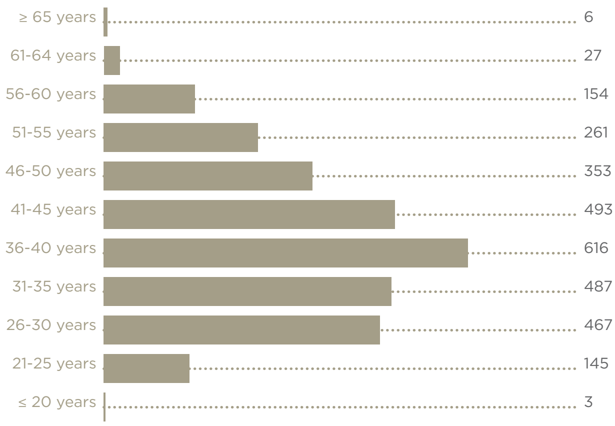
* *ERAMET Holding including ERAMET Research, ERAMET Ingénierie and ERAMET International. As a holding company, ERAMET represents 138 people.*

## 5.14.2.6. AGE PYRAMID

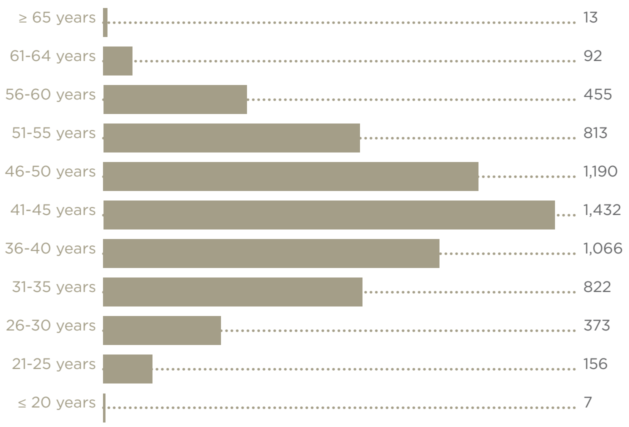
Group



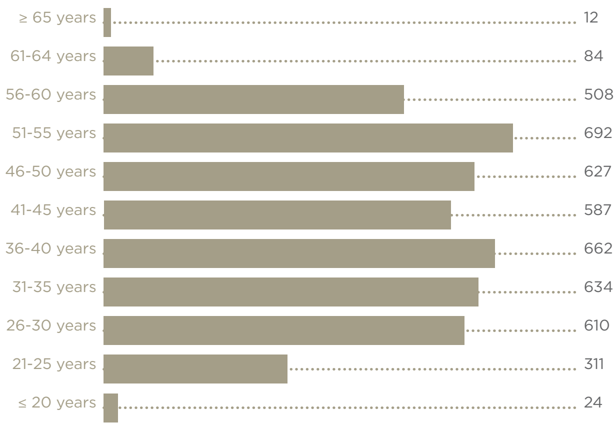

Nickel



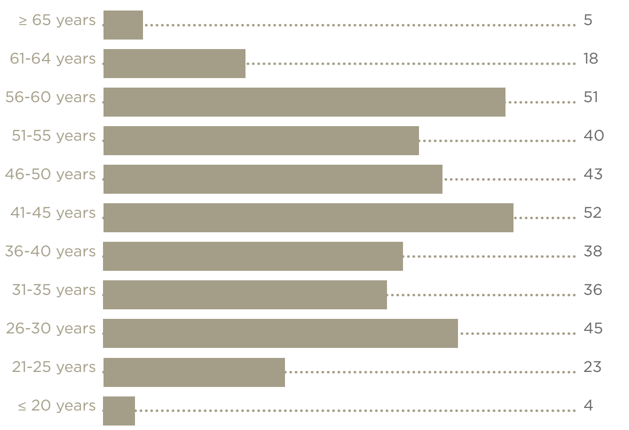

Manganese




Alloys




Holding company



### 5.14.2.7. WORKFORCE MANAGEMENT

Group companies hired 840 employees in 2010, representing a rise of more than 39% compared to 2009. 36% of hiring took place in Europe (including France), 20% in North America, 30% in Asia and 14% in the rest of the world.

The total number of departures in 2010 reached 980, including 272 retirements (28% of departures) and 262 resignations (27% of departures).

The table below gives an indication of employee turnover within the Group by country.

Defined as the sum of departures during the year (excluding death and the end of temporary contracts), divided by the number of employees at the end of the year, workforce turnover was 6.7% in 2008 and 7.6% in 2009. It dropped sharply in 2010 to reach 5.5%.

The job creation balance (arrivals – departures), which was positive in 2007 and 2008, became negative in 2009 and remained so in 2010.

| | Arrivals | | | Departures | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Outside hiring and others | | | Dismissals | | | Retirement and early retirement | | | Resignations | | | Other * | | | Total | | |
| | 2008 | 2009 | 2010 | 2008 | 2009 | 2010 | 2008 | 2009 | 2010 | 2008 | 2009 | 2010 | 2008 | 2009 | 2010 | 2008 | 2009 | 2010 |
| Mainland France | 573 | 209 | 281 | 57 | 48 | 34 | 171 | 112 | 105 | 94 | 44 | 52 | 91 | 97 | 120 | 413 | 301 | 311 |
| New Caledonia | 243 | 26 | 30 | 62 | 43 | 53 | 15 | 32 | 22 | 21 | 24 | 33 | 21 | 34 | 13 | 119 | 133 | 121 |
| Europe ex. France | 64 | 35 | 22 | 4 | 80 | 3 | 27 | 47 | 27 | 36 | 37 | 17 | 19 | 46 | 10 | 86 | 210 | 57 |
| North America | 144 | 78 | 165 | 27 | 68 | 33 | 18 | 9 | 11 | 58 | 14 | 34 | 20 | 214 | 62 | 123 | 305 | 140 |
| Gabon | 116 | 57 | 84 | 7 | 13 | 13 | 47 | 48 | 50 | 22 | 43 | 35 | 64 | 29 | 14 | 140 | 133 | 112 |
| Asia | 354 | 122 | 256 | 43 | 286 | 44 | 77 | 66 | 57 | 141 | 87 | 90 | 30 | 1 | 45 | 291 | 440 | 236 |
| Other | 86 | 76 | 2 | 7 | 13 | 2 | 2 | 0 | 0 | 4 | 6 | 1 | 73 | 53 | 0 | 86 | 72 | 3 |
| **Total** | **1,580** | **603** | **840** | **207** | **551** | **182** | **357** | **314** | **272** | **376** | **255** | **262** | **318** | **474** | **264** | **1,258** | **1,594** | **980** |

* *This category includes, amongst others, the end of fixed-term contracts, together with deaths.*

## 5.14.3. Work organisation and remuneration

### 5.14.3.1. WORKING HOURS

The types of working-hour organisation vary by company, their type of business and locations and are defined to match business needs and employee preferences as much possible. Wherever it operates, the ERAMET Group complies with applicable legislation on working hours. For guidance, working hours are as follows:

- in mainland France: 35 hours per week;
- in Norway: 37 hours 30 minutes per week;
- in New Caledonia: 37 hours 50 minutes per week;
- in China, Gabon, US, Sweden: 40 hours per 5-day week.

### 5.14.3.2. A FAIR AND COMPETITIVE REMUNERATION POLICY

Employee expertise and level of responsibility are remunerated with a fixed salary in line with past experience and practice for each business in the sector. The Group's remuneration policy aims to be equitable and competitive but also tailored to the specific local factors of the country in which activities are carried on.

A large number of the sales staff, and also Group executives, have variable remuneration arrangements based on annual quantitative and qualitative objectives. Moreover, these bonus arrangements were reviewed at the end of 2010, to gradually increase the number of people concerned, while reinforcing the system to assess performance *via* a common framework for setting and assessing annual objectives.

Surveys on remuneration are carried out each year to assess the competitiveness of the remuneration packages offered by the Group in relation to those offered by companies working in the same business sectors.

In each country in which the Group operates, the remuneration policy is designed to reward performance while adapting to the local environment.

#### PERSONNEL – PAYROLL CHARGES

Salaries account for the main part of employee remuneration. The average rate of social security contributions on wages and salaries at Group level was around 48% in 2010.

These charges represent between 45 and 50% of payroll expenditure in mainland France. They are highly variable from one country to another (for example, 40% in New Caledonia and 27% in Belgium).

In 2010, personnel costs for the ERAMET group stood at €609 million, up 5%. They were €580 million in 2009 and €594 million in 2008.

The average cost of personnel, excluding temporary staff, was €43,000 in 2010, up 7.5% compared with 2009.

## EMPLOYEE BENEFITS

In line with Group agreements on staff provident schemes for major risks and unforeseen events, the ERAMET group wants all mainland France employees to benefit from supplementary healthcare cover. On 9 July 2007, ERAMET and the five unions represented in the Group in France signed a Group healthcare agreement. The principles underpinning the negotiations are of greater coherence, responsibility and solidarity:

- coherence across ERAMET production sites, to favour a sense of equity;
- responsibility of the employer and employee in their shared desire to protect the health of the family, one of the most precious gifts there is;
- solidarity of employees and sites.

Thus, as from 1 January 2008, all mainland France production site employees had joined this scheme, which offers high-quality benefits.

The scheme is jointly financed by employees and ERAMET group companies, which make 55% of the contributions. It covers the employee and dependent family members.

Arrangements for healthcare cover, insurance cover and pensions are regularly audited and the results analysed so that optimal cover can be offered to the Group's employees.

Provisions have been recorded for all pensions, severance compensation, medical coverage, staff provident schemes and other benefits for working or retired personnel in line with current practices in each country.

Provisions are also recorded for the portion not covered by insurance companies or pension funds, particularly for US and Norwegian companies (generally defined-benefit plans). The liabilities under these specific plans are in the US (42%), Norway (17%), New Caledonia (7%) and in France (very old specific plans). The other plans are defined contribution or employer contributions 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.

Finally, a supplementary pension plan for a group of managers has also been fully provided for. The estimated actuarial value of the plan for staff working on 31 December 2010 was €28 million.

## EMPLOYEE SHARE OWNERSHIP

In an effort to develop a sense of Group belonging worldwide and to share the value created, in 2009, the ERAMET group decided to implement worldwide bonus share plans, called EraShare. Therefore in 2009, the ERAMET group implemented a democratic plan to allocate bonus shares, which consisted of granting 5 bonus shares to each Group employee, regardless of the country, division, job or level of responsibility. EraShare is a programme designed to develop employee shareholding within the ERAMET group in 19 countries where the Group is represented.

The General Shareholders' Meeting of 13 May 2009 authorised the company to implement a plan to allocate 85,000 bonus ERAMET shares to the 15,000 Group employees (excluding corporate officers).

From July 2011 in France and Italy, and from July 2013 in the other countries, the employees will be entitled to all rights associated with ERAMET shares: voting rights and dividend entitlement.

An informational brochure on EraShare was also prepared in the 9 languages used within the Group to support the worldwide implementation of the arrangement.

A new plan to allocate bonus shares was implemented in 2010 involving the same scope. Two more shares were allocated to over 14,000 employees.

## PROFIT-SHARING ARRANGEMENT FOR STAFF

In mainland France and New Caledonia, discretionary profit-sharing agreements are regularly negotiated and signed with the social partners. They supplement any regulatory provisions on profit-sharing. The discretionary profit-share is paid to employees with over three months' service on 31 December broken down into a fixed standard amount and a portion that depends on the reference gross annual remuneration, and can represent up to 15% of the wage bill of the company in question. All the discretionary profit-sharing agreements for the French sites were renegotiated in 2008 in order to raise the maximum discretionary profit-sharing from 12 to 15% of payroll.

Profit-sharing for 2009, paid in 2010, made it possible to pay out between 2% and 4% of payroll expenses, depending on the company.

Equivalent provisions in Sweden are based on the ratio of total payroll to profit.

## EMPLOYEE SAVINGS PLAN

In mainland France and New Caledonia, ERAMET group employees can sign up to a Company Savings Plan to set up salary savings. The sums paid under mandatory and discretionary profit-sharing schemes may also be paid in, as well as voluntary payments made monthly or on a one-off basis by employees. Group companies participate in the savings plan through a top-up to the sums paid by employees. The arrangements for paying the top-up vary from company to company.

In 2009 and 2010, the Group took steps to centralise saving account operations, *via* a call for tenders, in order to improve the quality of services, logistics and monitoring. The choice of placement made available to our staff was also reorganised and extended. The FCPE mutual fund is now available to all the Group's employees in France. A range of diversified multi-enterprise FCPE mutual funds, reserved for Group employees and based on the existing setup, has been developed with an independent management company and implemented in the Group. Alongside these projects, the Group has worked on the design and implementation of a PERCO type of collective pension fund, with the social partners which obviously benefitted from the progress made in the logistics and financial management of the saving plans in the Group.

On 31 December 2010, over 4,200 employees in France were members of an Employee Savings Plan, with assets of about €58 million, *i.e.* an average of €13,800 per saver.

## 5.14.4. Comprehensive and constructive social dialogue

At corporate level, the ERAMET group hosts two employee representative bodies. Firstly, there is the Group Works Council, comprised of 30 delegates from companies operating under French labour law and, by extension, New Caledonian labour law, which meets once a year. Secondly, the European Works Council, which is comprised of delegates from companies based in Europe (France, Belgium and Sweden) plus the representatives of New Caledonia and Norway, totalling 34 delegates in all. This Council meets once a year. Its operation was streamlined through the creation of a select committee of six members, which meets more often in close cooperation with general management and human resources management out of a desire for regular communication and information.

At local level, employees are represented in each of the countries in which the ERAMET group is located, with the exception of countries where ERAMET International has offices, where the size of teams, often less than 10 persons, is insufficient to set up representative bodies. Thus, more than 97% of Group employees are represented through representation, discussion and consultation bodies equivalent to Works Councils, Health, Safety and Working Conditions Committees or trade union organisations.

In 2010, relations between management and social partners remained steady:

- firstly, as part of the efforts to get through the crisis, with an uneven recovery depending on the Group's Divisions and operating sites;
- secondly, in pursuit of the medium and long-term implementation of arrangements covering company savings plans, social security coverage and pensions.

### 5.14.4.1. SOCIAL DIALOGUE DRIVEN BY EFFORTS TO GET THROUGH THE CRISIS AND AN UNEVEN ECONOMIC SITUATION

The improvement in business could be seen in the rapid increase in demand in the Group's mining divisions. However, new strategic market policies have led to the launching of industrial transformation projects aimed at establishing production policies that are adapted to market trends (manganese chemistry). Moreover, in 2010, efforts to improve competitiveness continued at a steady pace (SLN in New Caledonia).

The long-term impact of the crisis in the Alloys Division combined with structural changes in the high-speed steels markets have led Management at Erasteel to launch an industrial redeployment programme (Sweden and France) aimed at developing added-value activities and processes while resizing teams in traditional markets.

All the structural and organisational changes were introduced after sustained negotiations between local Management teams, unions and employee representative bodies.

At Corporate level, the Group's Management organised regular and ongoing provision of information on changes to the Group's situation, by holding specific meetings with employee representatives at Group level. These discussion meetings simultaneously brought together the members of the European Works Council (covering France, Belgium, Sweden and, more widely, New Caledonia and Norway), the Secretary of the Group's Works Council, the Secretary of the ERAMET SA Central Works Council and the Group's main trade-union delegates.

It should be noted that work was carried out on the Erasteel transnational dossier (Sweden – France) with members of the European Works Council.

### 5.14.4.2. SOCIAL DIALOGUE ACCOMPANYING THE IMPLEMENTATION OF MEDIUM AND LONG-TERM ARRANGEMENTS

Concerning the maintenance of the Group's medium and long-term goals:

- Negotiations on remuneration were carried out locally within the Group's companies, in accordance with the legal procedures in the various countries in which they operate. They enabled levels to be increased in accordance with Group policy, which aims to ensure a steady and controlled increase in remuneration. For example, the Marietta site in the USA concluded a Labour Contract covering a period of 3 years.
- The Group's Senior Management concluded framework agreements on employee savings plans: PERCO (France), Savings Plan (France), on Psychosocial Risks and implementation of a Seniors Plan.
- The joint meetings and negotiations covering insurance schemes (France and New Caledonia) and health cover (France) enabled progress to be made on plan coverage and enabled them to be brought into compliance, in consultation with social partners.

At the same time, wishing to continue and intensify dialogue and consultation, the Group's senior management organised a training course for members of the European Works Council, in collaboration with the European Commission, on changes to the European Directive related to the European Works Council.

## 5.14.5. Training

ERAMET pays particular attention to the development of its employees, even considering **the maintenance, improvement and transfer of skills** as the Group's 7th value.

Integrating and improving our know-how, raising awareness of specific risks, sharing experience and best practices, developing a cross-company approach at Group level, promoting the application of our managerial methods and reaffirming our expertise and technical leadership – these are the challenges for the training programmes that are undertaken by the Group annually at all its sites.

As regards the vocational training of its employees, the ERAMET Group prioritises training that focuses, firstly, on safety and, secondly, on the development of technical skills giving employees a better understanding of processes and their environment.

Specific training actions are also put in place for managers. Thus, in 2010, the Group's Alloys Division trained at least 400 people within the framework of the Alloys Management Institute, *i.e.* 40% of the Division's managerial staff. The induction courses for the newly-hired employees (three weeks training, meetings with General Management, site visits) are greatly appreciated. One of the training modules, wholly provided by the sales teams at Aubert & Duval and Erasteel, focuses on customers and the meaning of the term.

As is the case every year, the ERAMET Discovery Days brought together more than one hundred participants from all over the world who had joined the Group that year or who wanted to learn more about the organisation of the Group, its major projects and its strategy.

More than 20 Group executives and managers attended the 7th session of the ERAMET Leaders Programme lasting one week. Since 2006, 138 executives have taken part in this programme which allows them to create a network, improve their knowledge of the Group, discuss strategic development policies with senior management, etc.

In 2010, the Group also worked towards organising a training programme for its executive managers and formalising a set of training modules in order to implement a real manager training course.

As part of the Leaders Programme, a one-day introductory course on project management culture was given to 355 people in the Group, enabling them to share the same framework and vocabulary with regards the main project management concepts. More than 400 people are expected to attend the new sessions in 2011.

A one-day training course on Sustainable Development designed and conducted by the Environment and Sustainable Development Department and the Group Health and Safety Department was also deployed within the Group, raising the participants' awareness and reminding them of the main principles of the Group's Sustainable Development policy.

Many training courses were deployed at all Group sites. In particular, we can note the training sessions on finance for non-specialists given to Gabonese executives at the EM in Lyon, the significant management programme on the development of managerial skills deployed at Comilog, the course on safety and economics given to all SLN managers and the course throwing light on Nickel, the economy and markets given to all SLN executives.

In China, a second management training session is also being prepared.

The Group is also getting itself organised to implement significant initiatives in the field of Lean Management and Knowledge Management.

Altogether, in 2010, ERAMET group employees received more than 320,000 hours training, up 8.5% compared to 2009, *i.e.* approximately 22 hours per employee and per year. In France, training costs in 2010 amounted to 3% of payroll expenditure, on average. They represented over 4% of payroll expenditure in New Caledonia, 2.8% in Gabon and between 1% and 2% of payroll expenditure in the other countries where the Group operates.

## 5.14.6. Performance monitoring

For several years, all members of Group management have had an annual assessment interview, during which their performance is evaluated in relation to the goals set for the elapsed year alongside application of the values of the ERAMET group.

In 2010, more than 4,400 managerial and non-managerial staff had annual assessment interviews. Indeed, many sites have started to extend the benefits of this system to non-managerial staff.

Work has also been carried out by the Human Resources teams to provide global supporting material for the assessment interview, shared across all divisions and countries, ensuring consistency in performance assessment and monitoring.

Since late 2010, Talent@Work, the Group's Human Resources information system, has made this supporting material available to executives on sites where the tool has been implemented.

This has considerably improved access to information on staff mobility requests and ensured that these requests are better taken into account in career management and people reviews and it has optimised the follow-up.

To the Annual Assessment Interview for managers, Aubert & Duval has even added a process to assess job proficiency and training needs.

This is also developed on Talent@Work. Within the framework of the management system at the Alloys Division, it is used to determine the main lines of development for managers and to build individual managerial development plans based on 5 lines of progress:

- safety, working conditions and the environment;
- ability, reliability and productivity;
- agility (flows and time-frames);
- technical mastery, quality and innovation;
- management, skill and proactivity.

# Financial Statements



6

# 6.1. 2010 CONSOLIDATED FINANCIAL STATEMENTS

## 6.1.1. 2010 accounts

### 6.1.1.1. STATEMENT OF COMPREHENSIVE INCOME

| *(in millions of euros)* | Notes | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|---|
| **Total sales** | **21.1** | **3,576** | **2,689** | **4,346** |
| Other income | 21.2 | **31** | (35) | 107 |
| Cost of sales | - | **(2,437)** | (2,414) | (2,749) |
| Administrative and selling expenses | - | **(155)** | (142) | (141) |
| Research and development expenditure | - | **(44)** | (39) | (58) |
| **EBITDA** | **-** | **971** | **59** | **1,505** |
| Amortisation and depreciation of non-current assets | 22.1 | **(225)** | (210) | (186) |
| Impairment losses and provisions | 22.2 | **(7)** | (12) | 2 |
| **Current operating profit (loss)** | **-** | **739** | **(163)** | **1,321** |
| Other operating income and expenses | 23 | **(19)** | (104) | (78) |
| **Operating profit (loss)** | **-** | **720** | **(267)** | **1,243** |
| Net borrowing costs | 24.1 | **3** | 11 | 34 |
| Other financial income and expenses | 24.2 | **(15)** | (12) | (75) |
| Share in profit of associates | 7 | **1** | - | - |
| Income tax | 25 | **(255)** | 7 | (347) |
| **Profit (loss) for the period** | **-** | **454** | **(261)** | **855** |
| • attributable to non-controlling interests | 14 | **126** | 4 | 161 |
| • **attributable to equity holders of the parent** | - | **328** | **(265)** | **694** |
| Basic earnings per share (in euros) | 26 | **12.43** | (10.16) | 27.03 |
| Diluted earnings per share (in euros) | | **12.40** | (10.16) | 26.96 |
| **Profit (loss) for the period** | **-** | **454** | **(261)** | **855** |
| Translation adjustments for financial statements of subs. in foreign currency | - | **63** | 109 | (123) |
| Change in revaluation reserve for hedging financial instruments | - | **(20)** | 135 | (109) |
| Change in fair value of held-for-sale financial assets | - | **3** | 21 | (13) |
| Income tax | 25 | **6** | (53) | 46 |
| **Other components of comprehensive income** | **-** | **52** | **212** | **(199)** |
| • attributable to non-controlling interests | 14 | **8** | 20 | (17) |
| • **attributable to equity holders of the parent** | - | **44** | **192** | **(182)** |
| **Total comprehensive income** | - | **506** | **(49)** | **656** |
| • attributable to non-controlling interests | - | **134** | 24 | 144 |
| • **attributable to equity holders of the parent** | - | **372** | **(73)** | **512** |

## 6.1.1.2. STATEMENT OF FINANCIAL POSITION

### ASSETS

| *(in millions of euros)* | Notes | 31/12/2010 | 31/12/2009 | 31/12/2008 |
|---|---|---|---|---|
| Goodwill | 3 | **172** | 161 | 263 |
| Intangible assets | 4 | **521** | 432 | 345 |
| Property, plant and equipment | 5 | **1,903** | 1,795 | 1,763 |
| Investments in associates | 7 | **22** | 21 | - |
| Other non-current financial assets | 8 & 9 | **86** | 100 | 137 |
| Deferred tax | 17 | **30** | 68 | 32 |
| Other non-current assets | 11 | **5** | 5 | 6 |
| **Non-current assets** | **-** | **2,739** | **2,582** | **2,546** |
| Inventories | 10 | **996** | 824 | 1,242 |
| Trade receivables and other current assets | 11 | **642** | 514 | 597 |
| Current tax receivables | - | **12** | 43 | 141 |
| Derivatives | 20 | **128** | 90 | 111 |
| Other current financial assets | 12 | **359** | 405 | 388 |
| Cash and cash equivalents | 12 | **1,227** | 812 | 944 |
| **Current assets** | **-** | **3,364** | **2,688** | **3,423** |
| **Total assets** | **-** | **6,103** | **5,270** | **5,969** |

### LIABILITIES AND SHAREHOLDERS' EQUITY

| *(in millions of euros)* | Notes | 31/12/2010 | 31/12/2009 | 31/12/2008 |
|---|---|---|---|---|
| Share capital | | **81** | 80 | 80 |
| Share premiums | | **371** | 341 | 345 |
| Revaluation reserve for held-for sale assets | | **7** | 6 | (8) |
| Hedging instrument revaluation reserve | | **10** | 24 | (54) |
| Translation adjustments | | **24** | (32) | (132) |
| Other reserves | | **2,465** | 2,116 | 2,430 |
| **Attributable to equity holders of the parent** | **13** | **2,958** | **2,535** | **2,661** |
| Attributable to non-controlling interests | 14 | **1,016** | 970 | 1,071 |
| **Shareholders' equity** | **-** | **3,974** | **3,505** | **3,732** |
| Liabilities to employees | 15 | **123** | 128 | 121 |
| Provisions | 16 | **360** | 314 | 271 |
| Deferred tax | 17 | **342** | 297 | 240 |
| Borrowings – long-term portion | 18 | **203** | 199 | 92 |
| Other non-current liabilities | 19 | **33** | 36 | 22 |
| **Non-current liabilities** | **-** | **1,061** | **974** | **746** |
| Provisions – short-term portion | 16 | **29** | 29 | 32 |
| Borrowings – short-term portion | 18 | **88** | 72 | 107 |
| Trade payables and other current liabilities | 19 | **731** | 590 | 907 |
| Current tax liabilities | - | **149** | 74 | 287 |
| Derivatives | 20 | **71** | 26 | 158 |
| **Current liabilities** | **-** | **1,068** | **791** | **1,491** |
| **Total liabilities and shareholders' equity** | **-** | **6,103** | **5,270** | **5,969** |

## 6.1.1.3. STATEMENT OF CASH FLOWS

| *(in millions of euros)* | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| Operating activities | | | |
| Profit (loss) for the period | **454** | (261) | 855 |
| Elimination of non-cash and non-operating income and expenses | | | |
| • Depreciation, amortisation and provisions | **227** | 340 | 205 |
| • Financial instruments | **3** | (13) | 26 |
| • Deferred tax | **83** | (60) | 15 |
| • Proceeds from asset disposals | **4** | (48) | 9 |
| • Share in profit of associates | **(1)** | - | - |
| Cash generated by operating activities | **770** | **(42)** | **1,110** |
| (Increase)/decrease in inventories | **(142)** | 455 | (273) |
| (Increase)/decrease in trade receivables | **(82)** | 78 | 181 |
| (Increase)/decrease in trade payables | **38** | (111) | 93 |
| Change in other assets and liabilities | **223** | (86) | 321 |
| Interest income | **15** | 22 | 47 |
| Interest paid | **(16)** | (15) | (11) |
| Tax paid | **(79)** | (189) | (328) |
| **Net change in current operating assets and liabilities** | **(43)** | **154** | **30** |
| **Net cash generated by operating activities** | **727** | **112** | **1,140** |
| Cash flow from investing activities | | | |
| Payments for non-current assets | **(314)** | (294) | (678) |
| Proceeds from non-current asset disposals | **8** | - | 6 |
| Proceeds from/repayment of borrowings | **(4)** | (3) | (24) |
| Dividends received from associates | **-** | - | 1 |
| Impact of additions to consolidation scope [(1)] | **(15)** | (17) | (165) |
| Impact of removals from consolidation scope | **-** | - | - |
| **Net cash used by investing activities** | **(325)** | **(314)** | **(860)** |
| Financing activities | | | |
| Dividends paid to ERAMET SA shareholders | **(47)** | (136) | (154) |
| Dividends paid to non-controlling interests in consolidated companies | **(105)** | (27) | (51) |
| Proceeds from share capital increases | **31** | 1 | 5 |
| Proceeds from treasury share sales/(payments for purchases) [(2)] | **(5)** | 1 | (10) |
| Changes of percentage interests in subsidiaries [(3)] | **86** | 93 | - |
| Proceeds from borrowings | **400** | 194 | 57 |
| Repayment of borrowings | **(397)** | (94) | (122) |
| Net change in current financial assets and liabilities | **-** | 18 | - |
| **Net cash used by financing activities** | **(37)** | **50** | **(275)** |
| Exchange-rate impact | **50** | 20 | (23) |
| **Net increase (decrease) in cash and cash equivalents** | **415** | **(132)** | **(18)** |
| **Opening cash and cash equivalents** | **812** | **944** | **962** |
| **Closing cash and cash equivalents** | **1,227** | **812** | **944** |

The ERAMET Group uses the concept of net cash/borrowing position as an internal management and performance indicator, as presented in Note 18.6:

| | | | |
|---|---|---|---|
| **Net cash (or net borrowing) position** | **1,295** | **946** | **1,133** |

*(1) The impact of additions to the company's scope is as follows:*

| *(in millions of euros)* | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| Consolidation of Eralloys Holding A/S & Tinfos A/S | (2) | (21) | (155) |
| • Acquisition cost | (2) | (88) | (400) |
| • Cash acquired | - | (11) | 131 |
| • Issue of ERAMET shares | - | 73 | 114 |
| • Allocation of ERAMET shares | - | 5 | - |
| Consolidation of UKAD | - | 4 | - |
| • Acquisition cost | - | - | - |
| • Cash acquired | - | 4 | - |
| Consolidation of Port Minéralier d'Owendo SA | - | - | (10) |
| • Acquisition cost | - | - | (12) |
| • Cash acquired | - | - | 2 |
| Consolidation of Valdi | (13) | - | - |
| • Acquisition cost | (13) | - | - |
| • Cash acquired | - | - | - |
| **Total** | **(15)** | **(17)** | **(165)** |

*(2) Changes in treasury shares include:*

| *(in millions of euros)* | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| Purchases and sales – liquidity contract | 1 | 1 | (10) |
| Acquisitions and disposals – purchasing agency instructions | (6) | - | - |
| Purchase options exercised by employees | - | - | - |
| **Total** | **(5)** | **1** | **(10)** |

*(3) Changes in percentage interests in subsidiaries break down as follows:*

| *(in millions of euros)* | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| Sale, 33.4% of shares in Strand Minerals Ltd | - | 93 | - |
| Sale, 2.17% of shares in Comilog S.A. | 86 | - | - |
| **Total** | **86** | **93** | **-** |

First-time application of the revised IAS 27 standard for the 2010 financial year caused reclassification as a financing flow of the impact of the disposal in 2009 of 33.4% of the Strand Minerals Ltd shares.

## 6.1.1.4. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| *(in millions of euros)* | Number of shares | Share capital | Share premiums | Reserves/ assets held for sale | Reserves/ hedging instruments | Currency Translation differences | Other reserves | Attributable to equity holders of parent company | Attributable to non-controlling interests | Total share-holders' equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Shareholders' equity at 1 January 2008** | **25,905,621** | **79** | **223** | **-** | **18** | **(30)** | **1,904** | **2,194** | **841** | **3,035** |
| **Profit(loss) for the period** | **-** | **-** | **-** | **-** | **-** | **-** | **694** | **694** | **161** | **855** |
| Translation adjustments of subsidiaries' financial statements denominated in foreign currency | - | - | - | - | - | (102) | - | (102) | (21) | **(123)** |
| Change in hedging instruments revaluation reserve | - | - | - | - | (72) | - | - | (72) | 4 | **(68)** |
| Change in fair value of financial assets held for sale | - | - | - | (8) | - | - | - | (8) | - | **(8)** |
| **Other components of comprehensive income** | **-** | **-** | **-** | **(8)** | **(72)** | **(102)** | **-** | **(182)** | **(17)** | **(199)** |
| **Total comprehensive income** | **-** | **-** | **-** | **(8)** | **(72)** | **(102)** | **694** | **512** | **144** | **656** |
| Dividends paid – €6.00 per share | - | - | - | - | - | - | (154) | (154) | (51) | **(205)** |
| Proceeds from share capital increases | 309,610 | 1 | 122 | - | - | - | (5) | 118 | 1 | **119** |
| Treasury shares | - | - | - | - | - | - | (10) | (10) | - | **(10)** |
| Share-based payment | - | - | - | - | - | - | 2 | 2 | - | **2** |
| Changes in percentage interests in subsidiaries | - | - | - | - | - | - | - | - | 136 | **136** |
| Other movements | - | - | - | - | - | - | (1) | (1) | - | **(1)** |
| **Total transactions with shareholders** | **-** | **1** | **122** | **-** | **-** | | **(168)** | **(45)** | **86** | **41** |
| **Shareholders' equity at 31 December 2008** | **26,215,231** | **80** | **345** | **(8)** | **(54)** | **(132)** | **2,430** | **2,661** | **1,071** | **3,732** |
| **Profit (loss) for the period** | **-** | **-** | **-** | **-** | **-** | **-** | **(265)** | **(265)** | **4** | **(261)** |
| Translation adjustments of subsidiaries' financial statements denominated in foreign currency | - | - | - | - | - | 100 | - | 100 | 9 | **109** |
| Change in hedging instruments revaluation reserve | - | - | - | - | 78 | - | - | 78 | 11 | **89** |
| Change in fair value of financial assets held for sale | - | - | - | 14 | - | - | - | 14 | - | **14** |
| **Other components of comprehensive income** | **-** | **-** | **-** | **14** | **78** | **100** | **-** | **192** | **20** | **212** |
| **Total comprehensive income** | **-** | **-** | **-** | **14** | **78** | **100** | **(265)** | **(73)** | **24** | **(49)** |
| Dividends paid – €5.25 per share | - | - | - | - | - | - | (136) | (136) | (27) | **(163)** |
| Proceeds from share capital increases | 407,467 | 1 | 47 | - | - | - | 26 | 74 | - | **74** |
| Capital reduction | (252,885) | (1) | (51) | - | | | | (52) | | **(52)** |
| Treasury shares | - | - | | - | | - | 58 | 58 | - | **58** |
| Share-based payment | - | - | | - | | - | 2 | 2 | - | **2** |
| Changes in percentage interests in subsidiaries | - | - | | - | - | - | - | - | (97) | **(97)** |
| Other movements | - | - | | - | - | - | 1 | 1 | (1) | **-** |
| **Total transactions with shareholders** | **-** | **-** | **(4)** | **-** | **-** | **-** | **(49)** | **(53)** | **(125)** | **(178)** |

| *(in millions of euros)* | Number of shares | Share capital | Share premiums | Reserves/ assets held for sale | Reserves/ hedging instruments | Currency Translation differences | Other reserves | Attributable to equity holders of parent company | Attributable to non-controlling interests | Total share-holders' equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Shareholders' equity at 31 December 2009** | **26,369,813** | **80** | **341** | **6** | **24** | **(32)** | **2,116** | **2,535** | **970** | **3,505** |
| **Profit (loss) for the period** | **-** | **-** | **-** | **-** | **-** | **-** | **328** | **328** | **126** | **454** |
| Translation adjustments of subsidiaries' financial statements denominated in foreign currency | - | - | - | - | - | 56 | - | 56 | 7 | **63** |
| Change in hedging instruments revaluation reserve | - | - | - | - | (14) | - | - | (14) | 1 | **(13)** |
| Change in fair value of financial assets held for sale | - | - | - | 2 | - | - | - | 2 | - | **2** |
| **Other components of comprehensive income** | **-** | **-** | **-** | **2** | **(14)** | **56** | **-** | **44** | **8** | **52** |
| **Total comprehensive income** | **-** | **-** | **-** | **2** | **(14)** | **56** | **328** | **372** | **134** | **506** |
| Dividends paid – €1.80 per share | - | - | - | - | - | - | (47) | (47) | (105) | **(152)** |
| Proceeds from share capital increases | 143,653 | 1 | 30 | - | - | - | | 31 | - | **31** |
| Treasury shares | - | - | | - | | - | (5) | (5) | - | **(5)** |
| Share-based payment | - | - | - | - | - | - | 5 | 5 | - | **5** |
| Changes in percentage interests in subsidiaries | - | - | - | - | - | - | 67 | 67 | 17 | **84** |
| Other movements | - | - | - | (1) | - | - | 1 | - | - | **-** |
| **Total transactions with shareholders** | **-** | **1** | **30** | **(1)** | **-** | **-** | **21** | **51** | **(88)** | **(37)** |
| **Shareholders' equity at 31 December 2010** | **26,513,466** | **81** | **371** | **7** | **10** | **24** | **2,465** | **2,958** | **1,016** | **3,974** |

Translation reserves recognise the translation differences deriving from the translation into euros of the financial statements of foreign subsidiaries. They also comprise the fair value changes of the net investment hedges of foreign subsidiaries (Notes 1.5 and 20).

Premiums essentially consist of issue premiums, representing the difference between the par value of the shares issued (Note 13) and the amount of the cash or in-kind contributions received on issue. In 2008 and 2009, €118 million and €46 million correspond to the premium arising from the capital increase for purposes of the two-stage acquisition of Eralloys Holding A/S and Tinfos A/S.

The change in the financial-instruments revaluation reserve is mainly due to the recognition of cash-flow hedges pursuant to IAS 32 and IAS 39. The counterpart entry is under "Hedging financial instruments" recognised as an asset or a liability depending on whether hedging losses or gains are concerned (Note 20).

The "Hedging instruments" reserves comprise the cumulative change in the effective portion of the fair value of derivatives relating to future cash flow hedging in connection with transactions that have not yet impacted the income statement (Note 20).

The ERAMET treasury shares are classified under "Other reserves" and recognised at purchase cost (Note 13) for an amount of -€14 million (-€9 million at 31 December 2009). The change for the 2009 financial year arises mainly from the cancellation of 252,885 shares representing an amount of €52 million (Note 13).

The reserves called "Assets held for sale" include the cumulative changes to the fair value of the obligations classified as "Other current financial assets" (Note 12).

In accordance with the revised standards IFRS 3 and IAS 27, the "Percentage changes in interests in subsidiaries" correspond to the impacts changes in consolidation scope not entailing any change of control in the subsidiaries concerned. In 2010, the only changes were the disposal of 2.17% of the Comilog S.A. shares to the Gabonese State for €67 million, Group share, and €17 million of non-controlling interests (Notes 2 and 14).

## 6.1.2. Notes to the consolidated financial statements

### APPENDICES

ERAMET is a French public limited company, with a Board of Directors, governed by the provisions of Articles L. 225-17 and R. 225-1 *et seq.* of the French Commercial Code and by the provisions of its Articles of Association. As required by law, the Company is audited by two incumbent Statutory Auditors and two alternate Statutory Auditors.

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 all of which it is amongst the market leaders. A detailed description of the ERAMET Group's activities is presented in Note 1.4 on business segment reporting.

ERAMET's shares have been traded on the Euronext Paris Deferred Settlement System (SRD) since 28 March 2006. On 2 January 2008, ERAMET joined the Euronext Paris N100 index.

The ERAMET Group's consolidated financial statements for the year ended 31 December 2010 were reviewed by the Audit Committee on 15 February 2011 and approved by the Board of Directors on 16 February 2011. They will be submitted for the approval of the General Shareholders' Meeting of 11 May 2011.



## NOTE 1. Accounting principles and measurement methods

### 1.1. GENERAL PRINCIPLES AND DECLARATION OF COMPLIANCE

Pursuant to European Regulation 1606/2002 of 19 July 2002 on the international standards, the consolidated financial statements of the ERAMET Group for the financial year ended 31 December 2010, have been prepared in millions of euros in accordance with IFRS (International Financial Reporting Standards) as approved by the European Union at 31 December 2010. These standards include the standards approved by the International Accounting Standards Board (IASB, *i.e.* IFRS, IAS – International Accounting Standards and their interpretations issued by the International Financial Reporting Interpretations Committee – IFRIC or the former Standing Interpretations Committee – SIC).

The accounting principles applied for the preparation of the separate financial statements are in line with IFRS and the related interpretations as adopted by the European Union at 31 December 2010 and available on the website: http://ec.europa.eu/internal_market/accounting/ias_en.htm#adopted-commission.

The new mandatory standards and interpretations applicable as from 1 January 2006 are:

The application of the revised version of IFRS 3 “Business combinations”, which defines the treatment and disclosures for any transaction or other event satisfying the definition of a business combination. The components (acquired assets and liabilities, non-controlling interests, earn out clauses, etc.) of a combination must, exceptions aside, be recognised at fair value. The main changes are as follows:

- acquisition costs are now expensed within the period;
- non-controlling interests must, as the acquirer sees fit, be measured, combination by combination, either at their fair value (“full goodwill” model) or at their interest in the net assets of the acquired company (acquisition cost model);
- goodwill is only measured at the acquisition date; there are no partial calculations or additional goodwill following the taking of control.

Revised IAS 27 “Consolidated and Separate Financial Statements”, which defines non-controlling interests as being part of shareholders’ equity, the main impact of which is that any transaction with a non-controlling interest is a capital transaction and has no impact on income.

The adoption of these new revised standards impacted the consolidated annual financial statements as at 31 December 2010, particularly through the increase in the Gabonese State’s interest in Comilog S.A. and the acquisition of Valdi (Note 2).

The other amendments to standards and interpretations taking effect on 1 January 2009 do not apply to the Group or do not have a material impact on the Group’s consolidated financial statements. These are:

- IFRIC 12 Interpretation “Service concession arrangements”;
- IFRIC 15 Interpretation “Agreements for the construction of real estate”;
- IFRIC Interpretation 16 “Hedges of a Net Investment in a Foreign Operation”;
- IFRIC 17 Interpretation “Distributions of Non-cash Assets to Owners”;
- IFRIC 18 Interpretation “Transfers of Assets from Customers”;
- The amendments to IAS 39 covering “risks eligible for hedge accounting”;
- The amendments to IFRS 2 covering “group cash-settled share-based payment transactions”.

The ERAMET Group did not opt to apply early the standards and interpretations that were not mandatory as of 1 January 2009, namely:

- the revision of IAS 24 “Related party disclosures” applicable at 1 January 2011;
- the amendments to IAS 32 “Classification of Rights Issues” applicable as from 1 February 2010;
- the amendment to IFRIC 14 “Prepayments of a Minimum Funding Requirement” applicable as from 1 January 2011;
- IFRIC 19 Interpretation “Extinguishing Financial Liabilities with Equity Instruments” applicable as from 1 July 2010;
- IFRS 9 on Financial Instruments applicable as from 1 January 2013, but not as yet endorsed by the European Union;
- the amendment to IFRS 7 “Financial Instruments: Disclosures” applicable as from 1 July 2011, but not as yet endorsed by the European Union.

The ERAMET Group is in the process of evaluating their potential impact on the consolidated financial statements.

### 1.1.1. USE OF 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 provided in certain Notes.

The ERAMET Group regularly reviews its estimates and assessments to take account of past experience and other factors that are deemed relevant having regard to economic conditions. As a result of changing assumptions and conditions, the amounts in future financial statements may differ from current estimates.

The main categories affected by changes to estimates are provisions for employee benefits and for site restoration, deferred taxes and impairment tests. In principle, the ERAMET Group only reviews these estimates once a year at each annual balance sheet date. However, when circumstances require, estimates may be updated at interim balance sheet dates.

**Impairment losses:** In accordance with IAS 36 – Impairment of Assets, when events or economic changes in the markets in which the ERAMET Group operates indicate the possibility of impairment losses on its goodwill, intangible assets and property, plant and equipment, these assets are subject to impairment tests to determine whether their carrying amount has fallen below their recoverable amount or value in use. Goodwill is impairment-tested at least once a year. In the event that the recoverable amount is below the net carrying amount, an impairment loss is recognised for the difference. The recoverable amount is determined on the basis of the value in use by applying the method of future cash flows expected from the use of the assets projected over a five-year period with a terminal value (Note 1.10).

**Employee-related liabilities:** ERAMET Group companies offer their employees various long-term benefits such as retirement packages, pension plans and healthcare plans (Note 1.17). Under IAS 19 – Employee Benefits, all these liabilities are estimated on the basis of assumptions such as discount rates, rates of return on financial investments under these plans, salary increases, employee turnover rates and mortality tables. The Group generally updates these assumptions once a year and the most recent assumptions used are included in the specific note (Note 15).

**Provisions for site restoration:** ERAMET Group companies must provide for their regulatory and constructive obligations with regard to the restoration of their mining sites at the end of operation. Accordingly, under IAS 16 – Property, Plant and Equipment and IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, when a mining site is opened, a restoration provision is recognised, offsetting a dismantling asset. These provisions are estimated on the basis of forecast cash flows by maturity and discounted using inflation and discount rates determined in accordance with local economic conditions (Note 16.5). In the absence of regulatory and constructive obligations, the sites for which the end of operation is not determined are not provisioned (Note 1.19).

**Deferred tax:** Deferred tax assets recognised mainly relate to deductible temporary differences and tax loss carry-forwards in accordance with IAS 12 – Income Taxes (Note 17). 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 estimate of the Group's capacity to recover recognised deferred-tax assets is based in particular on the earnings forecasts drawn up by each tax entity (Note 1.18).

### 1.1.2. CHANGES IN ACCOUNTING METHODS, ERRORS AND ESTIMATES

A change in accounting methods is only applied where required under a standard or interpretation and where it provides for more reliable and more pertinent information. Accounting changes are applied retrospectively, except in the event of transitory provisions specific to the standard or interpretation. The financial statements affected by a change in accounting method are adjusted for all the periods presented, as though the new method had always been applied.

Once an error is detected, it is likewise adjusted retrospectively.

Changes to estimates are recognised prospectively; they affect the financial year in which they arise and, as the case may be, future financial years.

The changes in accounting methods, errors and changes to estimates occurring during the year are detailed in Note 3.

### 1.1.3. "CURRENT" AND "NON-CURRENT" ASSETS AND LIABILITIES

"Current" refers to assets and liabilities that are part of the operating cycle, regardless of their maturity, and other assets and liabilities with a maturity of less than one year from their balance sheet entry date. "Non-current" assets and liabilities comprise 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 either directly or indirectly are fully consolidated. Companies over which ERAMET has significant influence and in which it directly or indirectly holds an interest of over 20% are accounted for under the equity method (Note 7). Jointly controlled companies (joint ventures) are consolidated proportionally.

The list of consolidated companies is provided in Note 2. Material transactions between consolidated companies are eliminated on 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 the share of non-controlling 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 non-controlling interests in a company already controlled, no additional fair value adjustment is recognised and the difference between the purchase price and carrying amount of the net assets acquired is recognised in equity (Note 1.6).

## 1.4. OPERATING SEGMENTS

In accordance with IFRS 8 "Operating Segments", the segment reporting presented is prepared on the basis of the internal management data used by the Executive Committee, the Group's main operational decision-making body, to analyse business performance and allocate resources.

An operating segment is a separate component of the Group that engages in the provision of distinct products and services and is exposed to risks and profitability that differ from the risks and profitability of other operating segments.

Each operating segment is monitored individually for internal reporting purposes based on performance indicators that are common to all segments. The management data used to assess a segment's performance are prepared in accordance with the IFRS principles applied by the Group for its consolidated financial statements.

The segments presented for the purposes of segment reporting are either operating segments or combinations of similar operating segments. These are the Nickel, Manganese and Alloys Divisions:

- the Nickel Division, including mining, production and sales subsidiaries focused on nickel and its derivative applications (ferronickel, high purity nickel, cobalt and nickel salts and cobalt and tungsten powders);

- the Manganese Division, including mining, production and sales subsidiaries focused on manganese alloys (ferromanganese, silicomanganese and refined alloys) and manganese chemical derivatives (oxides, sulphate, chloride). The Manganese Division also includes subsidiaries that provide services to industry for the recovery and recycling of metals contained in oil-industry 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.

The column headed “Holding company and eliminations” comprises the Group’s corporate departments as well as the financial entities Metal Securities (treasury management) and Metal Currencies (exchange rate risk management) and Eras SA, the captive reinsurance company. Commercial relationships between the Divisions are not material. The main relationships primarily arise from the billing of management fees and financial transactions.

Other relationships concern the reinsurance company Eras SA and the financial companies Metal Securities and Metal Currencies, all three of which are fully consolidated *via* the Holding Division (Note 2):

- Eras SA is a captive reinsurance company that acts as a primary insurer in certain reinsurance programmes;
- Metal Securities is a financial company responsible for pooling subsidiaries’ cash to optimise its investment with financial organisations outside the Group;
- Metal Currencies is a financial company responsible for managing the Group’s exchange rate risks.

## 1.5. TRANSLATION OF FOREIGN CURRENCY DENOMINATED TRANSACTIONS AND FINANCIAL STATEMENTS

Foreign currency transactions are translated at the applicable exchange rate at the time of the transaction. Foreign currency debts and receivables are measured at the closing rate under IAS 21 – The Effects of Changes in Foreign Exchange Rates. Translation adjustments resulting from this translation are recognised in income (Notes 1.24 and 1.25), except those involving loans and borrowings between Group companies considered an integral part of the net investment in a foreign subsidiary. These are recognised directly in shareholders’ equity under the “Translation adjustments” heading and linked to the foreign subsidiary.

The financial statements of foreign entities with functional currencies other than the euro are translated using the official exchange rates at the end of the period for balance sheet items, except for shareholders’ equity, for which historical rates are applied. The items in the comprehensive income statement and the cash flow statement are translated at the average exchange rates for the period. Goodwill arising from an acquisition is considered part of the acquired entity and therefore denominated in its functional currency; it is then translated in the same way as the other balance sheet items. Translation adjustments stemming from currency fluctuations used to translate shareholders’ equity and profit (loss) for the period are allocated to reserves. Translation adjustments are carried as a change to shareholders’ equity and broken down between Group and non-controlling interests. Where a foreign subsidiary ceases to be consolidated, the cumulative amount of translation adjustments is recognised in the income statement under “Other financial income and expenses” (Note 24.2).

## 1.6. GOODWILL

The cost of a business combination recognised when taking an interest is allocated to the fair value of the assets, liabilities and identifiable contingent liabilities of the acquired entity. The residual, unassigned part is recognised as “Goodwill” under balance sheet assets. Any resulting goodwill is allocated to the relevant cash generating units (CGU). Goodwill is not amortised under IFRS 3 – Business combinations, but is instead subject to an impairment test to detect any impairment loss (Note 1.10). Goodwill is impairment-tested at least once a year at the annual balance sheet date. These impairment losses are not reversible.

If the cost of the business combination is less than the share in the net fair value of the assets, liabilities and contingent liabilities, the identification and measurement of the items acquired are reassessed and any remaining surplus (negative goodwill, or “badwill”) is recognised directly in income for the period under “Other operating income and expenses” (Note 23).

Since 1 January 2010, for the acquisition of additional interests in a company that is already controlled, the difference between the acquisition price and the carrying amount of the non-controlling interests acquired is recognised in equity.

Goodwill in associates is recognised under investments in associates (Note 7).

## 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 22.1).

Amounts capitalised with respect to mineral deposits relate to partial asset contributions or permits acquired since 1974. Depending on operating specificities, mining deposits are amortised on the basis of the ratio of annual production to 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 separate financial statements of the companies owning those resources. Geological and mining expenses are treated as research and development expenditure (Note 1.8) and the Group does not pay any exploration royalties as per IFRS 6 – Exploration for and Evaluation of Mineral Resources.

Computer software is amortised over a variable period not exceeding five years.

Intangible assets are allocated to cash generating units (CGUs) (Note 1.10). When the net carrying amount of an intangible asset exceeds its recoverable amount, an impairment loss is recognised (Note 1.10).

## 1.8. RESEARCH AND DEVELOPMENT EXPENDITURE

Research and development expenditure includes expenses for scientific and technical activities necessary for the development and implementation of new manufacturing processes or the improvement of existing processes.

Development expenditure is capitalised where it satisfies the restrictive criteria set out in IAS 38 – Intangible assets, namely, solely when the following conditions are fulfilled:

- the technical and industrial feasibility of the project has been proven;
- the intention is to finish the project and put the results of the project to use;
- the project is clearly identified and the costs attributed are broken down and measured reliably;
- the likelihood of obtaining future economic benefits has been demonstrated; and
- the technical, financial and other resources allocated for the development and use or sale of the intangible assets are available.

Any other research expenditure not satisfying the criteria of IAS 38 – Intangible Assets is expensed in the period in which it is recognised (Notes 1.24 and 4).

Geology, exploration, prospecting and mining research expenses incurred prior to operation are recognised as intangible assets under “mineral deposits” (Note 4). Geology expenses for mining sites already in operation are recognised in income under “Research and development expenditure” (Note 1.24). In accordance with IFRS 6 – Exploration for and Evaluation of Mineral Resources, royalties paid for mining prospecting and exploration are capitalised as intangible assets (Note 4). They are measured at acquisition cost less amortisation and any impairment losses.

## 1.9. PROPERTY, PLANT, AND 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, based on the components of the asset, in current operating profit (loss) (Note 1.24). For reference:

| | |
|---|---|
| Buildings | 10-50 years |
| Industrial and mining facilities | 5-50 years |
| Other intangible assets | 2-10 years |

Land is not depreciated.

Capital grants are recognised as deductions from the gross amounts of the items of property, plant and equipment in question. Spare parts deemed to be items of property, plant and equipment are capitalised and depreciated on the basis of their actual use. Tooling specifically manufactured for certain customers is recognised as an item of property, plant and equipment and depreciated over its likely useful life. Major repairs are deemed to be components of items of property, plant and equipment. The costs of borrowing that is directly attributable to the acquisition or production of an asset are incorporated in the asset’s cost where they are significant.

A provision is recognised upon starting up operations for the restoration of mining sites, with counterpart recognition of a component of an item of property, plant and equipment depreciated on a straight-line basis during the operation of the mine.

Mine stripping costs are capitalised under property, plant and equipment and depreciated on the basis of mined tonnage (Note 5).

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 18). These are amortised over their expected useful life on the same basis as the items of property, plant and equipment held or, if shorter, the term of the corresponding lease. Similarly, other agreements, and primarily sub-contracting, involving the use of a specific asset and the right to use it, are reclassified where necessary as leases, pursuant to IFRIC 4 – Determining Whether an Arrangement Contains a Lease, and in accordance with IAS 17 – Leases.

All items of property, plant and equipment were allocated to cash generating units (CGUs) (Note 1.10). Where the carrying amount of an item of property, plant and equipment exceeds its recoverable amount, an impairment loss is recognised (Note 1.10).

## 1.10. IMPAIRMENT OF ASSETS

Impairment tests are performed regularly, systematically at least once a year at the annual balance sheet date for goodwill and intangible assets with indefinite lives, and where there are indications of impairment. For intangible assets and items of property, plant and equipment with finite lives, impairment tests are carried out where there are indications of impairment.

The impairment test consists of comparing the carrying amount of the assets with their recoverable amount. Impairment losses are calculated as the difference between the recoverable and carrying amounts and recognised in “Other operating income and expenses” (Note 23). The recoverable amount is defined as the greater of the fair value less selling costs and the value in use. The fair value is the resale value determined, as appropriate, by reference to similar recent transactions or to appraisals carried out by independent appraisers with a view to disposal.

In order to determine the value in use, the Group uses the method of discounted future cash flows generated from their use or their disposal. The data used to calculate the discounted forecast cash flows is taken from the annual budgets and multiyear plans prepared by management at the business segments in question. These plans are created on the basis of 5-year projections plus a terminal value corresponding to the capitalisation to infinity of the cash flows deriving essentially from the last year of the plan. The pre-tax discount rate used to determine the value in use is the weighted average cost of the Group's capital, namely 12% for mining and 10% for metallurgical activities (as against uniform rates: 10% in 2008 and 9% for earlier financial years starting in 2004).

Impairment tests are performed at the level of the cash generating units (CGUs). All intangible assets, including goodwill, and all items of property, plant and equipment are allocated to CGUs. Cash generating units are (CGUs) are homogeneous groups of assets whose continuous use generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The ERAMET group has determined its cash-generating units (CGUs) by reference to the various production sites of its three major business lines: nickel, manganese and alloys (Note 6).

## 1.11. OTHER NON-CURRENT FINANCIAL ASSETS

Other non-current financial assets include financial assets held for sale (Notes 1.11.1 and 8) and other investments (Notes 1.11.2 and 9).

### 1.11.1. FINANCIAL ASSETS HELD FOR SALE

These assets mainly consist of non-consolidated investments (Note 8) and are measured at fair value. Investments in associates that are controlled but not consolidated, retained in the balance sheet at their acquisition cost, less any impairment losses. Where those investments exhibit objective evidence of significant or lasting impairment, the impairment loss is recognised in income for the period under "other financial income and expenses" (Note 24.2).

Other investments are deemed to be available for sale assets and recognised at fair value. These investments are interests in companies over which the Group has no control or significant influence.

Fair value is measured on the basis of the listed share price or, if unavailable, the discounted future cash flow method or, failing this, based on the Group share in the shareholders' equity of the relevant company.

### 1.11.2. OTHER INVESTMENTS

Other investments (Note 9) relate to loans or current accounts extended to non-consolidated companies. They are initially recognised at fair value plus the acquisition expense and measured on each balance sheet date at amortised cost using the effective interest rate (definition in Note 1.14), less any impairment losses, offset in income under "Other financial income and expenses" (Note 24.2).

Financial assets as defined in IFRS 7 – Financial Instruments, are derecognised when the Group no longer expects future cash flows and all the risks and rewards relating to these assets have been transferred.

## 1.12. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

A non-current asset, or group of assets with their directly related liabilities, are considered as held for sale where their carrying amount will be recovered from their sale and not from their continued use. They must be immediately available and the sale highly likely. When several assets are intended for sale in a single transaction, the asset group is considered as a whole, including the related liabilities. The assets held for sale thereby determined are measured at the lesser of the carrying amount and the fair value less selling costs. Intangible assets and property, plant and equipment classified as held for sale are no longer depreciated.

A discontinued operation is considered as a material Group activity treated as a disposal or classified under assets held for sale. The assets and liabilities relating to this operation are presented on a special line in the Group's consolidated financial statements.

On each balance sheet date, the amount of assets held for sale must be reviewed to take 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, while not 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.

Fixed production costs relating to recognised or planned sub-normal capacity usage are not incorporated in inventory measurement, and are recognised as ordinary operating expenses for the period in which they are incurred. Capacity usage is established as sub-normal when the actual production volume is below 10% of normal production volume (or normal capacity).

## 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 effective interest rate method. The effective interest rate is the rate that precisely discounts the expected future cash movements. Foreign currency receivables and debts are re-measured at the rate prevailing at the period-end date. Resultant translation adjustments are recognised in the income statement as exchange differences under current operating profit (loss) or net borrowing cost, depending on the type of receivable or debt.

Impairment losses are recognised for receivables where they are more than likely not to be recovered and it is possible to reasonably measure the amount of the loss based on past experience of losses on receivables, aging and a risk assessment. This impairment, offset in income under "current operating profit (loss)" (Note 21), reduces the nominal amount.

Receivables disposed of under a securitisation contract are derecognised in accordance with IAS 39 – "Financial instruments: recognition and measurement" where the Group has transferred the contractual rights to receive the future cash flows and substantially all the risks and benefits inhering in these assets are transferred. Where the risks are retained without prejudicing derecognition of the assets, they remain recognised in the balance sheet under other operating receivables together with the related security deposits (Note 11).

Transfers with recourse against the transferor in the event of the debtor defaulting on payment preclude derecognition of receivables transferred and these assets are therefore retained in the balance sheet.

## 1.15. OTHER CURRENT FINANCIAL ASSETS

These assets primarily comprise securities (Note 12.1) that do not meet the criteria for cash equivalents defined in IAS 7. These securities are measured at fair value on their first recognition. The fair value used is the stock-market value for listed securities, and for unlisted securities, is based on estimates using specific financial criteria reflecting the particular situation of each stock (similar transactions or discounted value of future cash flows). Changes in the fair value of these investments are recognised in recyclable [transferable] shareholders' equity under "Change in fair value of held-for-sale financial assets". Where those assets exhibit objective evidence of significant or lasting impairment, the cumulative impairment loss, previously recognised in equity, is recognised in income for the period under "other financial income and expenses" (Note 24.2).

## 1.16. CASH AND CASH EQUIVALENTS

Cash includes cash in hand and demand deposits, excluding bank overdrafts, which appear under financial liabilities. Cash equivalents correspond to marketable securities and consist of investments held to meet short-term cash requirements and are not considered as held to maturity.

Marketable securities of under three months' maturity are recognised in the balance sheet at their fair value in accordance with IAS 39 – Financial Instruments. To be considered a cash equivalent, they must be readily convertible to cash and subject to negligible risk of fluctuation in value. Fair value changes are recognised in income under net borrowing cost (Note 24.1).

## 1.17. EMPLOYEE-RELATED LIABILITIES

### 1.17.1. DESCRIPTION OF PLANS

**Defined contribution plans:** For the defined contribution plans granted in certain Group subsidiaries, employer contributions are expensed in the period to which they relate.

**Defined benefit plans:** ERAMET Group companies offer their employees various long-term benefits, such as retirement packages or other additional post-employment benefits (pension plan or healthcare plan). The characteristics of these plans vary in line with the laws and regulations in force in each country and/or subsidiary.

At some companies, these liabilities are wholly or partly covered by policies taken out with insurance companies or pension funds. In this case, the liabilities and hedging assets are measured independently. The defined benefit pension plans are measured using the actuarial projected unit credit method. The provision recognised for the defined benefit pension plans represents the present value of the defined benefit liability adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, less the fair value of plan assets.

### 1.17.2. MAIN ACTUARIAL ASSUMPTIONS AND METHODS

The Group's liabilities are measured by independent actuaries in line with IAS 19 – Employee Benefits. The actuarial assumptions used (employee turnover, mortality tables, retirement age, salary trends, etc.) vary according to the prevailing demographic and economic conditions in the countries in which the plan is in force. The discount rates used are based on the rate of government bonds or bonds of blue-chip companies with a maturity equivalent to that of the liabilities on the measurement date. In the Euro Zone, the United Kingdom and the United States, the discount rates were determined using a software tool developed by our actuary. This software incorporates data for several hundred first-rank corporate bonds with maturities from one to thirty years (benefit-flow returns for longer maturities are prudently regarded as equal to the benefit-flow return for the longest maturity on the market). The expected benefit flows are then discounted using the average rates for each maturity. Lastly, the software returns a single rate which, applied to all the expected flows, leads to a single present value for all these future benefit flows. In countries with insufficient market liquidity for private corporate bonds with AA+ rating, such as Norway or Sweden, IAS 19 "Employee Benefits" requires the use of government bonds taking bond maturity into account. The expected return on plan assets was calculated by taking into account the structure of the investment portfolio for each country.

Actuarial differences arise where the estimates differ from actual performance (for example, the expected value of plan assets *versus* the actual closing value) and where actuarial assumptions (such as the discount rate) are adjusted.

For long-term benefits (such as long-service bonuses), actuarial differences are immediately recognised at each balance sheet date. For post-employment benefits, actuarial differences are not recognised unless they represent over 10% of the higher of the present value of liabilities and the fair value of plan assets; this excess is amortised over the expected average remaining working life of employees in the plan (corridor method). Plan amendment costs are apportioned over the remaining vesting period.

## 1.18. DEFERRED TAX

The amount of tax actually owed at the balance sheet date is adjusted for deferred tax, which is calculated using the liability method with regard to temporary differences between carrying amounts and tax amounts, as well as with regard to consolidation restatements. Deferred tax assets, including those related to loss carry-forwards, which are determined by fiscal entity, are recognised whenever it can be shown that they are likely to be realised. Deferred tax is not discounted.

To assess the likelihood that these assets will be realised, the Group reviews the following information:

- future forecast profitability;
- extraordinary losses not expected to recur in the future;
- past taxable profits; and
- tax strategies.

Deferred tax assets and liabilities are recognised as balance sheet assets and liabilities in the statement of financial position (Note 17). Deferred tax is deemed to be non-current and classified as such.

In the consolidated balance sheet, deferred tax assets and liabilities are offset individually within each tax entity, namely individually within the legal entity or tax consolidation group (Note 17).

Deferred tax liabilities on investments in subsidiaries, associates and joint ventures are only recognised where the Group can determine the timetable for the reversal of the related temporary differences. Provisions are recognised for non-recoverable levies on dividends planned in respect of the previous financial year.

## 1.19. PROVISIONS

Provisions are recognised, where their amount can be reliably estimated, to cover all liabilities stemming from past events that are known at the balance sheet date and the settlement of which is likely to result in an outflow of resources representing economic benefits in order to settle the liability.

Provisions for mining site restoration are recognised when the mining sites open. Restoration costs are discounted over the period remaining until the expected end of operation of the mine and the effects of accretion expenses are recognised in the income statement under Other financial income and expenses (Note 24.2).

As regards industrial sites, insofar as there are no plans to discontinue operations, no provision is recognised for site restoration.

Restructuring and redundancy costs are provisioned where such measures have been planned in detail and announced before the balance sheet date or the start of execution.

## 1.20. RECOGNITION OF FINANCIAL INSTRUMENTS

Financial instruments are recognised in the financial statements in line with IAS 39 – Financial Instruments.

**Risks:** The Group uses financial instruments to hedge certain risks. Risks: To manage its foreign currency risk, the Group uses foreign currency forwards/futures, foreign currency swaps and, to a lesser extent, foreign currency options. Foreign currency forwards/futures are recognised as hedges to the extent that the Group has defined and documented the hedging relationship and demonstrated its effectiveness. Overall interest-rate risk is managed using interest-rate swaps. Lastly, the Group also uses collars and swaps when hedging commodity purchases and sales (nickel, fuel oil, aluminium and electricity).

**Measurement and presentation:** Derivatives are measured at their fair value upon initial recognition. Subsequently, the fair value of derivatives is reviewed at each balance sheet date. The fair value of foreign currency forwards/futures is estimated on the basis of market conditions. The fair value of interest rate derivatives is that which the Group would receive (or pay) to unwind current contracts on the balance sheet date. The fair value of commodity derivatives is estimated on the basis of market conditions. Derivatives are presented as assets or liabilities in the statement of financial position (Note 20).

**Hedge accounting:** 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.

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 re-measured by reference to the hedged risk and the hedging instrument is measured and recognised at fair value. The changes in both items are recognised simultaneously in 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 re-measurement, 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 amounts in shareholders' equity are recycled to the income statement when income is affected by the hedged item. The ineffective portion is retained in income for the period;

- hedging of net investment in foreign subsidiaries: derivatives intended to hedge net foreign currency investment in foreign subsidiaries are treated as net foreign currency investment hedges. The profit or loss from such hedges, and the changes in fair value (apart from the time value) are recognised in equity as currency translation differences, and recycled to income when the subsidiary is sold.
- 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 financial income.

In accordance with the revised IFRS 7, the fair values of financial instruments are ranked according to a three-level hierarchy:

- Level 1: Quoted prices (unadjusted) on an active market for like assets and liabilities;
- Level 2: Quoted price on an active market for a similar instrument, or another measurement technique based on observable parameters;
- Level 3: Measurement technique incorporating non-observable parameters.

## 1.21. CONCESSION ARRANGEMENTS

The Transgabonais railway concession was recognised as follows: own property held by the company holding the concession is recognised as a balance sheet asset and depreciated over the shorter of its useful life or the remaining period of the concession. Return assets representing the assets contributed to the concession by the State that must be returned in kind upon expiry of the agreement are not recognised in the balance sheet. Assets acquired by the concession holder following the signing of the concession agreement that must be turned over to the State at the end of the concession are recognised as property, plant and equipment and depreciated over the term of the concession. A provision is recognised to cover the risk of non-renewal of the concession in line with investment assumptions.

## 1.22. REVENUE

Revenue mainly comprises the following:

- sales, including the sale of merchandise, goods and services generated in the course of the Group's main business activities. This is a component of "current operating profit (loss)" (Note 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 24.1);
- dividends included in income for the period under "Other financial income and expenses" (Note 24.2).

The revenue recognition criteria by category are as follows:

- sales and other income: income is recognised as revenue once the company has transferred the main risks and benefits inherent in ownership of the goods to the buyer. Sales are measured at the fair value of the consideration received or receivable. In the event of a deferred payment having a material impact on the calculation of the fair value, future payments are discounted accordingly.
- interest: income is recognised for the amount of accrued interest.
- dividends: income from investments in associates is recognised whenever the Group is entitled to receive payment as a shareholder.

## 1.23. SHARE-BASED PAYMENT

Various share subscription and purchase option plans (stock options) have been established by the Group and are all equity-settled plans. The fair value of the services received in consideration for the granting of these options is definitively measured with reference to the fair value of the options on the grant date and to the number of options that will have vested by the end of the vesting period. In this regard, the Group uses a Black & Scholes type mathematical valuation model.

During the vesting period, the total fair value thereby determined is apportioned on a straight-line basis over the full vesting period for the plan in question, with the number of vested exercisable options assumed at the beginning of the vesting period being reviewed at every balance sheet date.

This fair value is recognised as a personnel cost, offset by an increase in shareholders' equity. When the options are exercised, the exercise price received by the Group is recognised in cash and offset in shareholders' equity.

In line with the transitory provisions in IFRS 1, only stock option plans subsequent to 7 November 2002 that had not vested by 1 January 2005 were recognised using the above-mentioned measurement and recognition principles laid down in IFRS 2 – Share-based Payment and are subject to measurement.

## 1.24. CURRENT OPERATING PROFIT (LOSS) AND OTHER OPERATING INCOME AND EXPENSES

As from 2006 and in accordance with paragraphs 88 and 89 of IAS 1, ERAMET presents its income statement in accordance with the mixed function/nature approach, so as to comply with the Group's internal management reporting procedures. 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-related liabilities including the financial component, the cost of employee profit-sharing and translation adjustments between the rates upon recognition and those at the balance sheet date (trade receivables and payables).

Other operating income and expenses only include very limited, unusual, abnormal and infrequent income and expenses for particularly material amounts that the Group presents separately in its income statement in order to facilitate understanding of current operating performance. This item primarily consists of:

- restructuring costs;
- costs incurred for development projects whose profitability has yet to be demonstrated,
- capital gains/losses or impairment losses on assets;
- impairment losses on goodwill, intangible assets and property, plant and equipment.

## 1.25. INCOME FROM FINANCING ACTIVITIES

Net financial 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 financial income and expenses, such as dividends, provisions for securities, accretion expenses and gains/losses on instruments that are non-eligible as hedges under IAS 39.

## 1.26. EARNINGS PER SHARE

Basic earnings per share are obtained by dividing the Group profit (loss) for the period by the average number of shares outstanding during the period. This average number of shares outstanding excludes treasury shares.

Diluted earnings per share are obtained by adjusting Group profit (loss) for the period and the number of shares for potentially dilutive effects, mainly represented by employee subscription and purchase option plans (stock options).

## 1.27. RISKS

**Environmental risks:** where there is a legal or contractual obligation to restore mining sites, a restoration provision is recognised, offset by a dismantling asset. The provision is based on site-by-site estimates of the cost of this work, the total cost being apportioned over the life of the operation of the mine (Notes 1.9, 1.19, 6 and 16.5).

Provisions are recognised for any other environmental contingencies on the basis of estimated future costs without, however, making any allowance for insurance indemnities receivable (Note 16.5).

**Market risks:** to manage its interest rate and foreign currency risks, the Group has recourse to various financial instruments. The Group's policy is to reduce its exposure to interest rate and foreign currency fluctuations, but not to speculate. Positions are traded either on organised markets or over the counter with first-class 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 on the balance sheet date are recognised in the statement of financial position, with no set-off (Note 20).

**Foreign currency risks:** when the exposure arising from borrowings taken out by Group companies in currencies other than their functional currencies is not offset by income in those currencies, the Group may have recourse to hedging (Note 20). In addition, the Group uses derivative financial instruments to limit its exposure to the currency risk on its sales and on certain dollar-denominated costs.

**Interest rate risks:** depending on market conditions and on forecast changes in net debt, the Group Finance Department monitors the breakdown between fixed and floating rate debt and cash investments. The financial instruments used are interest rate swaps, caps and floors (Note 20).

**Commodities risks:** the Group holds derivative instruments for purposes of reducing its exposure. For this purpose, ERAMET mainly uses futures, combined call and put options (collars) and call options (Note 20).

**Counterparty risks:** the Group can be exposed to credit risk in the event of default by a counterparty. To limit this risk the Group collects and reviews information ahead of financial transactions from, *e.g.*, rating agencies and published financial statements. No systematic arrangement is therefore in place to hedge counterparty risk (Note 20).

**Liquidity risk:** the Group's risk in this area arises from its obligation to repay its financing borrowings, and to repay its other liabilities. To cover its liquidity risks, ERAMET has additional sources of finance consisting of credit lines and commercial-paper facilities (Note 20).

# NOTE 2. Scope of consolidation

## 2.1. CHANGES IN SCOPE OF CONSOLIDATION

The following changes in consolidation scope occurred between 31 December 2009 and 31 December 2010:

### 2.1.1. OUTRIGHT ACQUISITION OF VALDI

In early January 2010, ERAMET acquired the French company Valdi, specialising in the processing and recycling of non-ferrous metals. With two production sites located in France, Valdi employs a workforce of 104 persons, earning sales of €16 million in 2010. The acquisition price was allocated mainly to Property, Plant & Equipment on the basis of measurements performed by independent experts. Residual goodwill of €8 million was recognised (Note 3).

### 2.1.2. DISPOSAL OF 2.17% IN COMILOG S.A.

ERAMET signed an agreement with the Gabonese Republic on 20 October 2010, increasing the Gabonese Republic's shareholding in Comilog S.A.; before the agreement, ERAMET's interest was 67.25%, with 25.4% held by the Gabonese Republic.

On 17 December 2010, ERAMET sold 50,583 shares representing 2.17% of the Comilog S.A. share capital. In accordance with the revised versions of IFRS 3 and IAS 27, the net proceeds from the sale were recognised in equity. ERAMET's interest at 31 December 2010 was 65.08% (Note 28 – Other commitments).

### 2.1.3. ACQUISITION OF REMAINING INTERESTS IN ERALLOYS HOLDING COMPANY A/S

In July 2010, as the balance on the squeeze-out operation, ERAMET paid out an additional €2 million. The residual goodwill thus changed to €138 million (Note 3).

### 2.1.4. CONSOLIDATION OF THE LITHIUM BUSINESS

Pursuant to the agreement with the Bolloré group on 12 February 2010 for the operation of lithium deposits, the French company Eramine and its Argentinian subsidiaries Bolera Minera SA and Eramine Sud America SA were consolidated within the ERAMET Group.

## 2.2. LIST OF CONSOLIDATED COMPANIES AS AT 31 DECEMBER 2010

At 31 December 2010, the consolidation scope included 65 companies (at 31 December 2009: 61), 62 fully-consolidated companies, 2 proportionally-consolidated companies and 1 equity-consolidated company (at 31 December 2009: 59 fully-consolidated companies, 1 proportionally-consolidated company and 1 equity-consolidated company).

| Company | Countries | Method of consolidation | Percentage (%) control | Percentage (%) interest |
|---|---|---|---|---|
| **ERAMET** | **France** | **Consolidation** | **-** | **-** |
| Nickel | | | | |
| Le Nickel-SLN | New Caledonia | Fully consolidated | 56 | 56 |
| Cominc | New Caledonia | Fully consolidated | 56 | 56 |
| Poum | New Caledonia | Fully consolidated | 56 | 56 |
| Weda Bay Minerals Inc. | Canada | Fully consolidated | 100 | 100 |
| Weda Bay Minerals Pty Ltd | Australia | Fully consolidated | 100 | 100 |
| Strand Minerals Pte Ltd | Singapore | Fully consolidated | 66.6 | 66.6 |
| Pt Weda Nickel Ltd | Indonesia | Fully consolidated | 90 | 59.94 |
| ERAMET Holding Nickel | France | Fully consolidated | 100 | 100 |
| Eurotungstène Poudres | France | Fully consolidated | 100 | 100 |
| Unimin AG | Switzerland | Fully consolidated | 100 | 100 |
| Manganese | | | | |
| ERAMET Holding Manganèse | France | Fully consolidated | 100 | 100 |
| ERAMET Comilog Manganèse | France | Fully consolidated | 100 | 82.54 |
| ERAMET Marietta Inc. | US | Fully consolidated | 100 | 100 |
| ERAMET Norway A/S | Norway | Fully consolidated | 100 | 100 |
| ERAMET Norway Kvinesdal A/S | Norway | Fully consolidated | 100 | 100 |
| Valdi | France | Fully consolidated | 100 | 100 |
| Eralloys Holding A/S | Norway | Fully consolidated | 100 | 100 |
| Tinfos Energi A/S | Norway | Fully consolidated | 100 | 100 |

| Company | Countries | Method of consolidation | Percentage (%) control | Percentage (%) interest |
|---|---|---|---|---|
| DNN Industrier A/S | Norway | Fully consolidated | 100 | 100 |
| ERAMET Norway A/S | Norway | Fully consolidated | 100 | 100 |
| ERAMET Titanium & Iron A/S | Norway | Fully consolidated | 100 | 100 |
| Tinfos A/S | Norway | Equity method | 33.35 | 33.35 |
| Comilog S.A. | Gabon | Fully consolidated | 65.08 | 65.08 |
| Setrag SA | Gabon | Fully consolidated | 83.88 | 55.25 |
| Comilog Holding | France | Fully consolidated | 100 | 65.08 |
| Comilog International | France | Fully consolidated | 100 | 65.08 |
| Comilog Lausanne | Switzerland | Fully consolidated | 100 | 65.08 |
| Port Minéralier d'Owendo SA | Gabon | Fully consolidated | 97.26 | 63.30 |
| Erachem Comilog S.A. | Belgium | Fully consolidated | 100 | 65.08 |
| Comilog US | US | Fully consolidated | 100 | 65.08 |
| Gulf Chemical & Metallurgical Corp. | US | Fully consolidated | 100 | 65.08 |
| Bear Metallurgical Corp. | US | Fully consolidated | 100 | 65.08 |
| Gulf Chemical & Metallurgical Corp. Canada | Canada | Fully consolidated | 100 | 65.08 |
| Erachem Comilog Inc. | US | Fully consolidated | 100 | 65.08 |
| Comilog France | France | Fully consolidated | 100 | 65.08 |
| Comilog Dunkerque | France | Fully consolidated | 100 | 65.08 |
| Miner Holding BV | The Netherlands | Fully consolidated | 100 | 65.08 |
| Erachem Mexico SA | Mexico | Fully consolidated | 100 | 65.08 |
| Comilog Asia Ltd | Hong Kong | Fully consolidated | 100 | 93.02 |
| Comilog Asia Ferro Alloys Ltd | Hong Kong | Fully consolidated | 100 | 93.02 |
| Guangxi Comilog Ferro Alloys Ltd | China | Fully consolidated | 70 | 65.11 |
| Guilin Comilog Ferro Alloys Ltd | China | Fully consolidated | 100 | 93.02 |
| Guangxi ERAMET Comilog Chemicals Ltd | China | Fully consolidated | 100 | 93.02 |
| Comilog Far East Development Ltd | Hong Kong | Fully consolidated | 100 | 93.02 |
| ERAMET Comilog Shanghai Trading Co. Ltd | China | Fully consolidated | 100 | 93.02 |
| **Alloys** | | | | |
| ERAMET Alloys | France | Fully consolidated | 100 | 100 |
| Erasteel | France | Fully consolidated | 100 | 100 |
| Erasteel Commentry | France | Fully consolidated | 100 | 100 |
| Erasteel Champagnole | France | Fully consolidated | 100 | 100 |
| Erasteel Kloster AB | Sweden | Fully consolidated | 100 | 100 |
| Erasteel Stubs Ltd | United Kingdom | Fully consolidated | 100 | 100 |
| Erasteel Inc. | US | Fully consolidated | 100 | 100 |
| Erasteel Innovative Materials Co Ltd | China | Fully consolidated | 100 | 100 |
| Société Industrielle de Métallurgie Appliquée | France | Fully consolidated | 100 | 100 |
| Interforge | France | Fully consolidated | 94 | 94 |
| Aubert & Duval | France | Fully consolidated | 100 | 100 |
| UKAD | France | Proportional consolidation | 50 | 50 |
| Airforge | France | Fully consolidated | 100 | 100 |
| **Holding company and miscellaneous** | | | | |
| Eras SA | Luxembourg | Fully consolidated | 100 | 100 |
| Metal Securities | France | Fully consolidated | 100 | 100 |
| Metal Currencies | France | Fully consolidated | 100 | 100 |
| Eramine | France | Fully consolidated | 100 | 100 |
| Bolera Minera SA | Argentina | Proportional consolidation | 50 | 50 |
| Eramine Sud America SA | Argentina | Fully consolidated | 100 | 100 |

All companies within the scope of consolidation share the same balance sheet date of 31 December.

# NOTE 3. Goodwill

## 3.1. BY CATEGORY

| (in millions of euros) | 31/12/2010 | 31/12/2009 | 31/12/2008 |
|---|---|---|---|
| Eralloys Holding A/S & Tinfos A/S | 138 | 136 | 229 |
| ERAMET Norway A/S | 16 | 15 | 13 |
| Valdi | 8 | - | - |
| Eurotungstène Poudres (Etp) | 6 | 6 | 6 |
| Erasteel Stubs Ltd | - | - | 5 |
| Port Minéralier d'Owendo SA | - | - | 5 |
| Bear Metallurgical Corp. | - | - | 2 |
| Aubert & Duval (Ad) | 3 | 3 | 3 |
| Other companies (less than €1 million) | 1 | 1 | 1 |
| **Total** | **172** | **161** | **264** |
| of which impairment losses | (31) | (31) | (19) |

## 3.2. CHANGES OVER THE PERIOD

| (in millions of euros) | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| **FY at 1 January** | **161** | **264** | **33** |
| Business combinations | 10 | (35) | 239 |
| Other changes in scope | - | - | - |
| Impairment losses in period | - | (10) | (5) |
| Translation differences and other movements | 1 | (58) | (3) |
| **At period end** | **172** | **161** | **264** |

2008 business combinations include goodwill relating to the acquisition of the Norwegian company Eralloys Holding A/S for €229 million, and the additional interest acquired in Port Minéralier d'Owendo SA in Gabon for €10 million. This acquisition generated an impairment loss of €5 million, representing 50% of its value; the remainder was written off in 2009 to reflect the expiry of the ore port concession as of 31 December 2009. En 2009, the acquisition of an additional interest in the Norwegian company Eralloys Holding A/S accounts for business combinations in that financial year. As a result of the impairment testing of Erasteel's High-speed steel cash-generating unit (CGU), the goodwill of Erasteel Stubs Ltd was impaired for its residual value of €5 million. The business combinations in 2010 consisted of the acquisition of Valdi and the additional payment for Eralloys Holding A/S, for €8 million and €2 million respectively (Note 2).

No other impairment loss was recognised at 31 December 2010.

# NOTE 4. Intangible assets

## 4.1. BY CATEGORY

| (in millions of euros) | Gross value | Amortisation | Impairment losses | Net value 31/12/2010 | Net value 31/12/2009 | Net value 31/12/2008 |
|---|---|---|---|---|---|---|
| Mining reserves | 503 | (65) | - | 438 | 351 | 329 |
| Software | 49 | (46) | - | 3 | 4 | 6 |
| Other intangible assets | 95 | (28) | (2) | 65 | 72 | 5 |
| Work in progress, down-payments | 15 | - | - | 15 | 5 | 5 |
| **Total** | **662** | **(139)** | **(2)** | **521** | **432** | **345** |

## 4.2. CHANGES OVER THE PERIOD

| *(in millions of euros)* | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| **FY at 1 January** | **432** | **345** | **309** |
| Business combinations | 2 | - | - |
| Other changes in scope | - | - | - |
| Capital expenditure for the period | 78 | 42 | 32 |
| Amortisation, depreciation and impairment losses for the period | (8) | (10) | (8) |
| Translation differences and other movements | 17 | 55 | 12 |
| **At period end** | **521** | **432** | **345** |
| • Gross amounts | 662 | 557 | 452 |
| • Amortisation & depreciation | (139) | (123) | (107) |
| • Impairment losses | (2) | (2) | - |

The Group allocates the acquisition cost of a business combination to the fair value of the assets, liabilities and identifiable contingent liabilities, in particular to mineral deposits for the Nickel and Manganese Divisions.

Mineral deposits relate to Gabon (Manganese Division), New Caledonia and Indonesia (Nickel Division), for the sums of €36 million, €14 million and €388 million respectively (€37 million, €14 million and €300 million at 31 December 2009).

Investments included geology and exploration or prospecting expenses prior to the start-up of operations at mining sites, capitalised in line with IAS 6.

Investments for the period (€78 million) were mainly comprised of expenses in Indonesia (Pt Weda Bay Nickel) of €66 million (€34 million in 2009), and software for €4 million (€2 million in 2009).

Business combinations concerned Valdi, acquired early in 2010 (Note 2).

No impairment loss was recognised in 2010.

## 4.3. RESEARCH & DEVELOPMENT EXPENDITURE – EXPENSES DURING THE PERIOD

| *(in millions of euros)* | 31/12/2010 | 31/12/2009 | 31/12/2008 |
|---|---|---|---|
| Non-capitalised research and development expenditure | 44 | 39 | 58 |
| of which geological expenses: | | | |
| • Nickel | 14 | 12 | 19 |
| • Manganese | - | - | - |
| Percentage of sales | 1.2% | 1.5% | 1.3% |

Ordinary expenses for mining sites already opened or in operation (Nickel and Manganese Divisions) are not capitalised and represent expenses in the financial year in which they are incurred.

# NOTE 5. Property, plant, and equipment

## 5.1. BY CATEGORY

| (in millions of euros) | Gross value | Depreciation | Impairment losses | Net value 31/12/2010 | Net value 31/12/2009 | Net value 31/12/2008 |
|---|---|---|---|---|---|---|
| Land and buildings | 845 | (456) | (11) | **378** | 357 | 292 |
| Industrial and mining facilities * | 2,702 | (1,543) | (101) | **1,058** | 1,004 | 968 |
| Other property, plant and equipment | 567 | (347) | (1) | **219** | 220 | 190 |
| Work in progress, down-payments | 249 | - | (1) | **248** | 214 | 313 |
| **Total** | **4,363** | **(2,346)** | **(114)** | **1,903** | **1,795** | **1,763** |
| ** Of which:* | | | | | | |
| • Capital grants deducted | | | | **-** | - | (1) |
| • Dismantling assets – site restoration (Note 16.4) | | | | **88** | 76 | 79 |

Capital grants deducted from items of property, plant and equipment mainly relate to the strategic capital expenditure programmes discussed in Section 5.3.

## 5.2. CHANGES OVER THE PERIOD

| (in millions of euros) | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| **FY at 1 January** | **1,795** | **1,763** | **1,505** |
| Business combinations | **9** | (6) | 101 |
| Other changes in scope | **(2)** | - | - |
| Capital expenditure for the period | **248** | 244 | 387 |
| Disposals for the period | **(4)** | (3) | (10) |
| Amortisation, depreciation and impairment losses for the period | **(205)** | (242) | (221) |
| Translation differences and other movements | **62** | 39 | 1 |
| **At end of period** | **1,903** | **1,795** | **1,763** |
| • Gross amounts | **4,363** | 4,076 | 3,887 |
| • Amortisation & depreciation | **(2,346)** | (2,157) | (2,034) |
| • Impairment losses | **(114)** | (124) | (90) |

In the light of impairment tests performed in past financial years, property plant & equipment assets, chiefly in the Manganese and Alloys Divisions, were impaired for €28 million and €17 million respectively. In 2008, an impairment loss of €31 million was recognised on the Manganese Division recycling business as the result of an impairment test. €4 million of additional impairment losses were recognised for the "Special Products" business in the United States. A €7 million impairment loss was recognised for assets no longer used in the Nickel Division. In 2009, after an impairment test was performed on the "High-speed steel" business of Erasteel (Alloys Division) and on Erachem Comilog S.A. (Manganese Division), exceptional impairment losses were recognised of €42 million and €12 million respectively.

## 5.3. DETAILS OF THE MAIN STRATEGIC INVESTMENTS

| *(in millions of euros)* | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| Nickel production expansion – Le Nickel-SLN | **3** | 3 | 7 |
| Manganese production expansion – Comilog S.A. | **7** | 20 | 31 |
| CMM plant – Comilog S.A. | **15** | 1 | - |
| EMD plant in China – Guangxi ERAMET Chemetals Ltd | **-** | 8 | 1 |
| New Gulin plant – Guilin Comilog Ferro Alloys Ltd | **15** | 10 | - |
| Titanium ingot processing plant – UKAD | **11** | 1 | - |
| Catalyst calcination plant in Canada – Gulf Chemical & Metallurgical Corp. | **-** | - | 13 |
| **Total** | **51** | **43** | **52** |

The main capital expenditure programmes are financed from cash and borrowings.

The amount of finance leased non-current assets in the balance sheet breaks down as follows:

| *(€ million)* | Gross value | Depreciation/ amortisation | Impairment losses | Net value 31/12/2010 | Net value 31/12/2009 | Net value 31/12/2008 |
|---|---|---|---|---|---|---|
| 40 000 tonne press – Airforge | 77 | (16) | - | **61** | 65 | 68 |
| Industrial facilities – Aubert & Duval | 15 | (13) | - | **2** | 3 | 3 |
| Administrative buildings – Aubert & Duval | 7 | (4) | - | **3** | 4 | 4 |
| Tour Montparnasse, 53rd floor – ERAMET | 5 | (3) | - | **2** | 3 | 3 |
| **Total** | **104** | **(36)** | **-** | **68** | **75** | **78** |

Future finance lease payments are presented in Note 18 – Borrowings.

# NOTE 6. Asset impairment

As at 31 December 2010, the ERAMET Group is broken down into 20 cash generating units (CGUs) corresponding to the different production sites of the 3 Divisions:

- 3 CGUs in the Nickel Division;
- 14 CGUs in the Manganese Division;
- 3 CGUs in the Alloys Division;

Valdi, which was acquired in early 2010, falls within the "Recycling" business (Note 2).

The following are the main components of goodwill included in the carrying amount of the cash generating unit (CGUs) tested at 31 December 2010:

| | 31/12/2010 | | 31/12/2009 | | 31/12/2008 | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | Net amounts | of which impairment | Net amounts | of which impairment | Net amounts | of which impairment |
| **Cash generating units** | | | | | | |
| Nickel Division | 6 | - | 6 | - | 6 | - |
| • "Powders" business | 6 | - | 6 | - | 6 | - |
| Manganese Division | 162 | (14) | 151 | (14) | 249 | (7) |
| • "Recycling" business | 8 | (2) | - | (2) | 2 | - |
| • Port Minéralier d'Owendo SA | - | (10) | - | (10) | 5 | (5) |
| • Erachem Mexico | - | (2) | - | (2) | - | (2) |
| • Norwegian business (incl. Tinfos) | 154 | - | 151 | - | 242 | - |
| Alloys Division | 4 | (17) | 4 | (17) | 9 | (12) |
| • High-speed steel business | - | (9) | - | (9) | 5 | (4) |
| • "Forged rolled manufactured products" business | 3 | (8) | 3 | (8) | 3 | (8) |
| • "Closed die-forged products" business | 1 | - | 1 | - | 1 | - |
| **Total** | **172** | **(31)** | **161** | **(31)** | **264** | **(19)** |

The data and assumptions used to carry out impairment tests on non-current assets in cash generating units (CGUs) are as follows.

- The discount rate used is the weighted average cost of capital (WACC), namely:
  - 12% for mining business;
  - 10% for metallurgy business,
- Cash flows are forecast over 5 years. The growth rates used are the same as those used in budgets and the growth rates to infinity used for the terminal values are between 0% and 1%, depending on the CGU.

The following main impairment losses were recognised:

| | Carrying amount before impairment | | | Value in use or fair value | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | 31/12/2010 | 31/12/2009 | 31/12/2008 | 31/12/2010 | 31/12/2009 | 31/12/2008 |
| **Cash generating units** | | | | | | |
| Manganese Division | **170** | 159 | 164 | 107 | 98 | 99 |
| • Special products business | **26** | 24 | 25 | - | - | - |
| • "Recycling" business | **123** | 113 | 115 | 97 | 88 | 83 |
| • Erachem Comilog S.A. | **13** | 14 | 16 | 2 | 2 | 16 |
| • Comilog Dunkerque | **8** | 8 | 8 | 8 | 8 | - |
| Alloys Division | **97** | 90 | 37 | 49 | 30 | 23 |
| • High-speed steel business | **97** | 90 | 37 | 49 | 30 | 23 |
| **Individual assets** | | | | | | |
| Nickel Division | **-** | - | 7 | - | - | - |
| Manganese Division | **-** | 5 | 10 | - | - | 5 |
| Alloys Division | **3** | 3 | 3 | - | - | - |
| **Total** | **270** | **257** | **221** | **156** | **128** | **127** |

The figures shown in this statement include goodwill, intangible assets and property plant & equipment for the relevant cash generating units (CGUs).

Impairment losses were recognised on goodwill of €31 million (unchanged from 2009) (Note 3) and on property, plant & equipment of €114 million (compared with €124 million (Note 5). The changes were primarily due to the following items:

## CASH GENERATING UNITS

The following are the changes in the impairment losses recognised for the main cash generating units (CGUs):

| | FY 2010 | | | | FY 2009 | | | |
|---|---|---|---|---|---|---|---|---|
| *(in millions of euros)* | Total | Goodwill | Intangibles | PP&E | Total | Goodwill | Intangibles | PP&E |
| **At beginning of period** | **(121)** | **(7)** | **-** | **(114)** | **(79)** | **-** | **-** | **(79)** |
| • (Impairment)/net reversals for the period | **10** | - | - | 10 | (44) | (5) | - | (39) |
| • Translation adjustments and other movements | **-** | - | - | - | 2 | (2) | - | 4 |
| **At period end** | **(111)** | **(7)** | **-** | **(104)** | **(121)** | **(7)** | **-** | **(114)** |

Impairment losses in the Manganese Division primarily included €31 million recognised for the recycling business in 2008 and €4 million for the "Special product" business in the US (Notes 5 and 23). In 2009, impairment losses of certain business lines were reversed: The recycling business (€7 million) and Comilog Dunkerque (€8 million), whereas an additional impairment loss of €12 million was recognised for Erachem Comilog S.A. in Belgium.

In 2009, the main impairment losses in the Alloys Division were recognised in the Erasteel "High-speed steels", amounting to €47 million (Notes 3, 5 and 23).

In 2010, impairment reversals were recognised mainly in the Alloys Division and in the Erasteel "High-speed steel" business, reflecting a resumption of activity and the business reorganisations embarked-on.

A 10% increase in business by volume or a 5% increase in prices would have no impact on the amount of the impairment loss recognised.

## INDIVIDUAL ASSETS

The impairment losses/indications of impairment affecting individual assets at the Alloys Division related to the shutdown of a production line, unchanged from previous years.

The €7 million impairment loss recognised for the Nickel Division in 2008 mainly related to unused property, plant and equipment (Note 23). In the Manganese Division, a €5 million impairment loss was recognised for the Gabonese company Port Minéralier d'Owendo SA (Notes 3 and 23).

No other material impairment losses were recognised as at 31 December 2010.

# NOTE 7. Investments in associates

## 7.1. BY CATEGORY

| Companies *(in millions of euros)* | Country | % interest | Share in profit (loss) | Share in shareholders' equity | | |
|---|---|---|---|---|---|---|
| | | | | 31/12/2010 | 31/12/2009 | 31/12/2008 |
| Tinfos A/S | Norway | 33.35 % | 1 | 22 | 21 | - |
| **Total** | | | **1** | **22** | **21** | **-** |

Upon completion of the second phase announced on 14 May 2009, the shareholding in Tinfos A/S was reduced from 55.78% to 33.35%.

## 7.2. CHANGES OVER THE PERIOD

| *(in millions of euros)* | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| **FY at 1 January** | 21 | **-** | **1** |
| Business combinations | - | 20 | - |
| Other changes in scope | - | - | - |
| Capital expenditure for the period | - | - | - |
| Disposals for the period | - | - | - |
| Share of profit (loss) for the period | 1 | - | - |
| Dividends paid | - | - | (1) |
| Translation differences and other movements | - | 1 | - |
| **At end of period** | 22 | **21** | **-** |

# NOTE 8. Non-consolidated subsidiaries

## 8.1. BY CATEGORY

| Companies *(in millions of euros)* | Country | % interest | Gross value | Impairment losses | Net value 31/12/2010 | Net value 31/12/2009 | Net value 31/12/2008 |
|---|---|---|---|---|---|---|---|
| Tinfos International A/S | Norway | 100% | - | - | - | 16 | 33 |
| Brown Europe | France | 100% | 8 | - | 8 | 8 | 8 |
| UKAD | France | 50% | - | - | - | - | 4 |
| Tinfos Aqua A/S | Norway | 100% | - | - | - | - | 3 |
| Aubert & Duval USA Inc. (ex-Htm Inc.) | US | 100% | 3 | (2) | 1 | 2 | 3 |
| Erasteel GmbH | Germany | 100% | 3 | (2) | 1 | 3 | 3 |
| ERAMET Alloys Ltd | Great Britain | 100% | 4 | - | 4 | 3 | - |
| Aubert & Duval Mold and Die Technology | China | 85% | 3 | (1) | 2 | 2 | 3 |
| Stahlschmidt GmbH | Germany | 100% | 3 | - | 3 | 3 | 3 |
| La Petite-Faye | New Caledonia | 100% | 2 | - | 2 | 2 | 2 |
| Exeltium | France | - | 3 | - | 3 | - | - |
| Somivab | Gabon | 83.00% | 2 | - | 2 | 2 | 1 |
| ERAMET Research | France | 100% | 1 | - | 1 | 1 | 1 |
| ERAMET Ingénierie | France | 100% | 1 | - | 1 | 1 | 1 |
| Sogaferro | Gabon | 69.99% | 1 | - | 1 | 1 | 1 |
| Other companies (less than €1 million) | - | - | 9 | (4) | 5 | 6 | 8 |
| **Total** | | | **43** | **(9)** | **34** | **50** | **74** |

Non-consolidated subsidiaries are mainly controlled companies and are recognised in the balance sheet at their acquisition cost less any impairment provision. Since the Group is unable to measure fair value reliably, this is measured on the basis of the Group's share in the net equity.

Investments in the controlled companies discussed earlier are not consolidated since they have no material impact on the Group financial statements. These investments are recognised at the acquisition cost or for the value of the equity interest held in them on the date of their deconsolidation.

In 2008, business combinations primarily related to the acquisition as of 1 August of the Norwegian companies Eralloys Holding A/S and Tinfos A/S. Tinfos International A/S is wholly owned by Eralloys Holding A/S, and is mainly involved in the international trading of metallurgical products for the steel and smelting industries *via* its subsidiary in Luxembourg; Tinfos is not included in the scope of consolidation because there are plans to dispose of it. Its shares are valued at their carrying amount of €33 million and classified as non-consolidated subsidiaries. In 2009, the value of Tinfos International A/S was revised downwards to a final amount of €16 million.

Tinfos International A/S was sold in early January 2010.

## 8.2. CHANGES OVER THE PERIOD

| *(in millions of euros)* | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| **FY at 1 January** | **50** | **74** | **35** |
| Business combinations | (16) | (21) | 38 |
| Other changes in scope | - | - | - |
| Capital expenditure for the period | 4 | 1 | 6 |
| Disposals for the period | (4) | (1) | (2) |
| Impairment for the period recognised through profit & loss | - | (4) | (2) |
| Impairment for the period recognised in equity | - | - | - |
| Translation differences and other movements | - | 1 | (1) |
| **At period end** | **34** | **50** | **74** |

Business combinations for the 2009 financial year include the fair-value adjustment on the equity investment in Tinfos International A/S of €17 million, reducing the fair value from €33 million to €16 million. In 2010, business combinations concerned the disposal of this investment.

Simplified financial statements (corporate data) for the main controlled but non-consolidated companies as at 31 December 2009 are set out below:

| *(in millions of euros)* (base: financial statements 31/12/ 2009) | Stahlschmidt GmbH | Erasteel GmbH | Erasteel UK Ltd | Forges de Montplaisir | Brown Europe | ERAMET Ingénierie | ERAMET Research |
|---|---|---|---|---|---|---|---|
| Total sales | 15 | 11 | 6 | 9 | 6 | 9 | 13 |
| Current operating profit (loss) | (2) | - | - | - | (1) | 1 | - |
| Profit (loss) for the period | (3) | - | - | - | - | 1 | 1 |
| Non-current assets | 1 | 1 | 1 | 2 | 6 | - | 10 |
| Working capital requirement | 4 | 1 | 3 | 1 | 10 | - | (1) |
| Shareholders' equity | (3) | (1) | (4) | (3) | (17) | (4) | (5) |
| Provisions | (1) | (1) | (1) | - | - | - | (1) |
| Net borrowings | (1) | - | 1 | - | 1 | 4 | (3) |

These companies are mainly sales and research & development entities, the services of which are wholly provided for the ERAMET Group and the industrial subsidiaries of S.I.M.A. (shaping, wire-drawing and drawing of metallurgical products).

# NOTE 9. Other investments

## 9.1. BY CATEGORY

| *(in millions of euros)* | Gross value | Impairment losses | Net value 31/12/2010 | Net value 31/12/2009 | Net value 31/12/2008 |
|---|---|---|---|---|---|
| Deposits and guarantees | 36 | (13) | 23 | 19 | 32 |
| Pension-plan assets | 1 | - | 1 | 4 | 5 |
| Employee loans | 5 | - | 5 | 5 | 6 |
| Current accounts – Tinfos International A/S | 9 | - | 9 | 8 | 7 |
| Current accounts – Fjellsikring A/S | - | - | - | - | 2 |
| Current accounts – Enercal | - | - | - | 2 | 2 |
| Current accounts – ERAMET International & subsidiaries | 1 | - | 1 | 3 | 1 |
| Financial investments/US pensions | 2 | - | 2 | 2 | 2 |
| Current accounts – A&D Mold and Die Technology | 2 | - | 2 | 2 | 2 |
| Current accounts – Stalhschmidt GmbH | 4 | (3) | 1 | - | - |
| Current accounts – ERAMET Research | 4 | - | 4 | - | - |
| Current accounts – Somivab | 1 | - | 1 | 1 | - |
| Other loans and current accounts | 5 | (2) | 3 | 4 | 4 |
| **Total** | **70** | **(18)** | **52** | **50** | **63** |

Other non-current financial assets relate to loans or current accounts granted to non-consolidated companies.

Since 10 October 2008, deposits and guarantees included €14 million (US$20 million) paid by ERAMET on the call option for the purchase of 75.1% of the Otjozondu manganese mining project in Namibia, which was fully impaired in 2009 owing to the decision to abandon the project. This heading also includes €16 million of additional deposits paid by ERAMET under the liquidity contract entered-into with BNP Paribas (Note 13).

## 9.2. CHANGES OVER THE PERIOD

| *(in millions of euros)* | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| **FY at 1 January** | 50 | **63** | **26** |
| Business combinations | - | (1) | 10 |
| Other changes in scope | - | - | - |
| Changes in cash | 4 | 3 | 24 |
| Impairment losses for the period | 3 | (16) | - |
| Translation differences and other movements | (5) | 1 | 3 |
| **At period end** | 52 | **50** | **63** |
| Breakdown of impairment losses: | | | |
| • **At beginning of period** | (19) | **(3)** | **(3)** |
| • Impairment losses | - | (16) | - |
| • Reversals of impairment, used | 3 | - | - |
| • Reversals of impairment, unused | - | - | - |
| • Translation adjustments and other movements | (2) | - | - |
| • **At period end** | (18) | **(19)** | **(3)** |

### 9.3. BY CURRENCY

| (in millions of euros) | 31/12/2010 | 31/12/2009 | 31/12/2008 |
|---|---|---|---|
| Euro | 31 | 16 | 26 |
| US dollar | 3 | 11 | 17 |
| CFA franc | 1 | 1 | 1 |
| Pacific franc | 7 | 8 | 8 |
| Norwegian krone | 10 | 14 | 11 |
| **Total** | **52** | **50** | **63** |

### 9.4. BY INTEREST RATE

| (in millions of euros) | 31/12/2010 | 31/12/2009 | 31/12/2008 |
|---|---|---|---|
| Interest-free | 25 | 21 | 39 |
| Fixed interest rates | 25 | 15 | 13 |
| Variable interest rates | 2 | 14 | 11 |
| **Total** | **52** | **50** | **63** |

Interest free items mainly relate to deposits and guarantees and certain loans to employees.

## NOTE 10. **Inventories**

### 10.1. BY CATEGORY

| (in millions of euros) | Net value 31/12/2010 | Net value 31/12/2009 | Net value 31/12/2008 |
|---|---|---|---|
| Raw materials | 341 | 281 | 538 |
| Merchandise and finished products | 327 | 307 | 357 |
| Work in progress and semi-finished products | 296 | 214 | 324 |
| Consumables and spare parts | 32 | 22 | 23 |
| **Total** | **996** | **824** | **1,242** |
| of which impairment losses | (106) | (113) | (163) |

Impairment provisions mainly concern raw materials, goods and finished products. Inventories pledged against liabilities appear in Note 27 – Off-balance-sheet commitments.

## 10.2. CHANGES OVER THE PERIOD

| *(in millions of euros)* | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| **FY at 1 January** | 824 | 1,242 | 905 |
| Business combinations | 3 | - | 121 |
| Other changes in scope | - | (3) | - |
| Changes in working capital requirement | 132 | (506) | 324 |
| Impairment losses for the period | 10 | 51 | (51) |
| Translation differences and other movements | 27 | 40 | (57) |
| **At period end** | 996 | 824 | 1,242 |
| Breakdown of impairment losses: | | | |
| • **At beginning of period** | (113) | (163) | (112) |
| • Impairment losses | (48) | (73) | (91) |
| • Reversals of impairment, used | 57 | 124 | 40 |
| • Reversals of impairment, unused | - | - | - |
| • Translation adjustments and other movements | (2) | (1) | - |
| • **At period end** | (106) | (113) | (163) |

In 2009, the Group adjusted its production to respond to the fall in demand on its main markets and to absorb the surplus inventories from end 2008. This resulted in a fall of €418 million, chiefly in the Manganese and Alloys Divisions. In 2010, after a year of low activity in 2009, the Group followed the upturn in its markets by increasing its production. This was reflected in all three divisions by an increase in gross inventories totalling €172 million. The ratio of inventories to sales nevertheless improved to 102 days of sales from 112 days in 2009.

# NOTE 11. Trade and other receivables

## 11.1. BY CATEGORY

| *(in millions of euros)* | Gross value | Impairment losses | Net value 31/12/2010 | Net value 31/12/2009 | Net value 31/12/2008 |
|---|---|---|---|---|---|
| Trade receivables | 470 | (5) | 465 | 364 | 439 |
| Payroll and tax receivables | 80 | - | 80 | 59 | 62 |
| Other operating receivables | 97 | (46) | 51 | 60 | 74 |
| Receivables on non-current assets | 28 | - | 28 | 16 | 9 |
| Dividends receivable | - | - | - | 1 | - |
| Prepaid expenses | 23 | - | 23 | 19 | 19 |
| **Total** | **698** | **(51)** | **647** | **519** | **603** |
| • Non-current assets | 5 | - | 5 | 5 | 6 |
| • Current assets | 693 | (51) | 642 | 514 | 597 |

## 11.2. CHANGES OVER THE PERIOD

| *(in millions of euros)* | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| **FY at 1 January** | **519** | **603** | **681** |
| Business combinations | **3** | - | 79 |
| Other changes in scope | **5** | (2) | - |
| Changes in working capital requirement | **37** | (43) | (136) |
| Impairment losses for the period | **25** | (23) | 7 |
| Translation differences and other movements | **58** | (16) | (28) |
| **At period end** | **647** | **519** | **603** |
| Breakdown of impairment losses on receivables: | | | |
| • **At beginning of period** | **(76)** | **(54)** | **(37)** |
| • Impairment losses | **(10)** | (30) | (15) |
| • Reversals of impairment, used | **34** | 7 | 22 |
| • Reversals of impairment, unused | **-** | - | - |
| • Business combinations | **-** | - | (24) |
| • Translation adjustments and other movements | **1** | 1 | - |
| • **At period end** | **(51)** | **(76)** | **(54)** |

The bulk of trade and other receivables are due in less than one year. Other non-current receivables of €5 million (unchanged from 31 December 2009) relate to a Setrag SA receivable from the Gabonese State in connection with the concession agreement. In 2009, despite the crisis, the Group's average days of trade debtor payment were maintained. Sales for the last quarter of the year 2009, although slightly recovered from early 2009 in the Manganese and Nickel Divisions, remained lower than at end 2008. This was reflected in a €75 million fall in trade receivables. The €101 increase (by 28%) in trade receivables in 2010 directly follows on from the increase in sales of the Nickel (+47%) and Manganese (+44%) divisions. Trade-debtor days of payment held steady, with the ratio of trade receivables to sales remaining stable at 47 days of sales, compared with 49 day in 2009.

On 5 July 2007, the Group's wholly-owned subsidiary Aubert & Duval concluded a debt securitisation agreement with a bank with ceilings of €115 million and US$50 million. This contract provided for the securitisation during a five-year period of receivables from major customers, primarily located in Europe and North America. The receivables thereby assigned were derecognised for the following amounts:

| *(in millions of euros)* | 31/12/2010 | 31/12/2009 | 31/12/2008 |
|---|---|---|---|
| Trade receivables – Invoices assigned and derecognised | **(72)** | (66) | (119) |
| Other operating receivables – Security deposit | **18** | 23 | 26 |

# NOTE 12. Other current financial assets and cash & cash equivalents

## 12.1. OTHER CURRENT FINANCIAL ASSETS

### 12.1.1. BY CATEGORY

Other current financial assets consisted of bonds issued by some twenty listed European companies.

### 12.2.2. CHANGES OVER THE PERIOD

| *(in millions of euros)* | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| **FY at 1 January** | 405 | 388 | 144 |
| Business combinations | - | - | - |
| Other changes in scope | - | - | - |
| Capital expenditure for the period | - | - | 257 |
| Disposals for the period | (49) | (3) | - |
| Impairment losses for the period recognised through profit and loss | - | - | - |
| Change in fair value recognised in equity | 3 | 20 | (13) |
| Translation differences and other movements | - | - | - |
| **At period end** | 359 | 405 | 388 |

As of 31 December 2008, an impairment loss of €13 million was recognised with a counterpart entry in equity on the fair value of bonds (of a €401 million nominal value). At 31 December 2009, a positive €20 million change was recognised by a counterpart adjustment in equity. At 31 December 2010, the change was a positive €3 million.

## 12.2. CASH AND CASH EQUIVALENTS

### 12.2.1. BY CATEGORY

| *(in millions of euros)* | Gross value | Impairment losses | Net value 31/12/2010 | Net value 31/12/2009 | Net value 31/12/2008 |
|---|---|---|---|---|---|
| Cash | 95 | - | 95 | 59 | 75 |
| Cash equivalents | 1,137 | (5) | 1,132 | 753 | 869 |
| **Total** | **1,232** | **(5)** | **1,227** | **812** | **944** |

### 12.2.2. BY CURRENCY

| *(in millions of euros)* | 31/12/2010 | 31/12/2009 | 31/12/2008 |
|---|---|---|---|
| Euro | 1,137 | 657 | 716 |
| US dollar | 27 | 120 | 61 |
| Yuan Ren Min Bi (China) | 40 | 15 | 17 |
| Norwegian krone | 16 | 14 | 140 |
| Other currencies | 7 | 6 | 10 |
| **Total** | **1,227** | **812** | **944** |

### 12.2.3. BY INTEREST RATE

| *(in millions of euros)* | 31/12/2010 | 31/12/2009 | 31/12/2008 |
|---|---|---|---|
| Interest free | **15** | 14 | 72 |
| Fixed interest rates | **28** | 22 | 24 |
| Variable interest rates | **1,184** | 776 | 848 |
| **Total** | **1,227** | **812** | **944** |

Interest-free items mainly consist of non-interest-bearing sight deposits.

Cash includes cash in hand and at bank. Cash equivalents, mainly managed by Metal Securities, consist of money-market securities totalling €891 million (compared with €651 million at 31 December 2009) whose interest rate is linked to the Eonia index rate (Euribor OverNight Index Average), negotiable debt securities totalling €221 million (compared with €75 million at 31 December 2009) whose interest rate is linked to the Eonia index.

The change from one period to the next is analysed *via* a cash flow statement drawn up using the indirect method.

## NOTE 13. Shareholders' equity

### 13.1. CHANGES TO THE SHARE CAPITAL

The share capital is comprised of 26,513,466 fully paid-up shares with a €3.05 par value each, broken down as follows:

| Breakdown | FY 2010 | | | | FY 2009 | | | | FY 2008 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital | | Voting rights | | Capital | | Voting rights | | Capital | | Voting rights | |
| | % | No. of shares | % | No. of shares | % | No. of shares | % | No. of shares | % | No. of shares | % | No. of shares |
| Registered shares | | | | | | | | | | | | |
| SORAME and Compagnie d'Études Industrielles du Rouvray (CEIR) | **36.89** | **9,781,091** | **43.73** | **19,384,006** | 36.43 | 9,606,007 | 43.50 | 19,208,922 | 36.64 | 9,604,138 | 43.97 | 19,207,474 |
| AREVA | **25.69** | **6,810,317** | **30.61** | **13,567,594** | 25.63 | 6,757,277 | 30.60 | 13,514,554 | 25.78 | 6,757,277 | 30.94 | 13,514,554 |
| S.T.C.P.I. | **4.04** | **1,070,586** | **4.83** | **2,141,172** | 4.06 | 1,070,586 | 4.85 | 2,141,172 | 4.08 | 1,070,586 | 4.90 | 2,141,172 |
| Holta Investment SA | **-** | **-** | **-** | **-** | 0.48 | 126,978 | 0.29 | 126,978 | 0.76 | 198,126 | 0.45 | 198,126 |
| ERAMET SA | **0.39** | **103,851** | **-** | **-** | 0.31 | 81,732 | - | - | 1.49 | 389,475 | - | - |
| ERAMET SA share fund | **0.12** | **31,138** | **0.11** | **50,748** | 0.09 | 22,610 | 0.10 | 42,220 | 0.07 | 19,610 | 0.09 | 39,220 |
| Other | **1.35** | **356,915** | **1.86** | **824,459** | 1.46 | 384,308 | 1.83 | 807,139 | 1.43 | 373,863 | 1.79 | 784,108 |
| **Total registered shares** | **68.47** | **18,153,898** | **81.14** | **35,967,979** | **68.45** | **18,049,498** | **81.16** | **35,840,985** | **70.24** | **18,413,075** | **82.14** | **35,884,654** |
| Other bearer shares | **31.53** | **8,359,568** | **18.86** | **8,359,568** | 31.55 | 8,320,315 | 18.84 | 8,320,315 | 29.76 | 7,802,156 | 17.86 | 7,802,156 |
| **Total number of shares** | **100.00** | **26,513,466** | **100.00** | **44,327,547** | **100.00** | **26,369,813** | **100.00** | **44,161,300** | **100.00** | **26,215,231** | **100.00** | **43,686,810** |
| Shares with single voting rights | **32.81%** | **8,699,385** | **19.63%** | **8,699,385** | 32.53% | 8,578,326 | 19.42% | 8,578,326 | 33.35% | 8,743,652 | 20.01% | 8,743,652 |
| Shares with double voting rights | **67.19%** | **17,814,081** | **80.37%** | **35,628,162** | 67.47% | 17,791,487 | 80.58% | 35,582,974 | 66.65% | 17,471,579 | 79.99% | 34,943,158 |

The 17 June 1999 agreement, which expired on 30 June 2006, was tacitly extended for one-year periods. On 29 May 2008, the shareholders (SORAME and CEIR) and AREVA announced the signing of an amendment to the Shareholders' Agreement. The amended shareholders' agreement, initially entered into for a term expiring on 31 December 2009, is tacitly renewable for six-month periods, unless either party gives fifteen calendar days' notice of termination. It was renewed for six months as from 1 January 2009.

Among other official notifications concerning this Shareholders' Agreement (including a sub-agreement between SORAME and CEIR), which constitutes an agreement to act in concert, prior notice of approval 199CO577 was issued on 18 May 1999 by the French Financial Markets Board (CMF). For the amendment of 29 May 2008 the AMF issued approval and notice No. 208C1042.

Since 1 January 2002, registered shares meeting the required conditions have qualified for double voting rights.

### 13.1.1. DIVIDENDS PAID

| | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| Net dividends | 1.80 | 5.25 | 6.00 |
| Total return | 1.80 | 5.25 | 6.00 |
| **Total net distribution** | **47** | **136** | **154** |

The €47 million in dividends paid out in the first half of 2010 in respect of the 2009 financial year represented a net dividend per share of €1.80 (€136 million in dividends paid in 2009 in respect of the 2008 financial year, equivalent to €5.25 per share), of which €17 million paid in cash and €30 million paid in shares (129,965 shares).

The ERAMET SA parent company's distributable reserves amounted to €1,032 million prior to the appropriation of 2010 earnings (€1,079 million as at 31 December 2009).

### 13.1.2. TREASURY SHARES

At 31 December 2010, ERAMET held 103,851 treasury shares (81,732 shares at 31 December 2009). In July 2007, in implementation of the Le Nickel-SLN shareholders' agreement dated 13 September 2000, ERAMET received 252,885 shares; these shares were cancelled by resolution of the Board of Directors on 29 July 2009. 48,135 shares (49,626 shares as of 31 December 2009) were purchased under a liquidity contract entered into with Exane BNP Paribas and were not yet registered at the date of drafting this table. In November 2010, Exane BNP Paribas was instructed to buy back 100,000 shares for purposes of a bonus-share allocation to employees, and 23,610 shares were purchased during the 2010 financial year. The total amount of buybacks was charged to shareholders' equity.

The table below summarises the treasury share transactions:

| | | Price support | Grants to employees | Other purposes | Total |
|---|---|---|---|---|---|
| **Position as at 31 December 2007** | | **5,000** | **-** | **335,786** | **340,786** |
| As a percentage of share capital | 25,905,621 | 0.02% | - | 1.30% | 1.32% |
| Purchases | | 210,141 | - | - | 210,141 |
| Sales | | (161,452) | - | - | (161,452) |
| **Position as at 31 December 2008** | | **53,689** | **-** | **335,786** | **389,475** |
| As a percentage of share capital | 26,215,231 | 0.20% | - | 1.28% | 1.49% |
| Allocated to stock options/bonus shares: | | | | | |
| • grants/bonus shares – 2007 Plans | | - | - | (25,830) | (25,830) |
| • grants/future bonus shares | | - | 32,106 | (32,106) | - |
| Purchases | | 241,360 | - | - | 241,360 |
| Sales | | (245,423) | - | - | (245,423) |
| Share cancellations/capital reduction | | - | - | (252,885) | (252,885) |
| Share allocation for acquisition of Eralloys non-controlling interests | | - | - | (24,965) | (24,965) |
| **Position as at 31 December 2009** | | **49,626** | **32,106** | **-** | **81,732** |
| As a percentage of share capital | 26,369,813 | 0.19% | 0.12% | - | 0.31% |
| Purchases | | 269,075 | 23,610 | - | 292,685 |
| Sales | | (270,566) | - | - | (270,566) |
| **Position as at 31 December 2010** | | **48,135** | **55,716** | **-** | **103,851** |
| As a percentage of share capital | 26,513,466 | 0.18% | 0.21% | - | 0.39% |

## 13.2. SHARE SUBSCRIPTION AND PURCHASE OPTIONS AND BONUS SHARES

### 13.2.1. SUBSCRIPTION OPTIONS

| | Date of shareholders' general meeting | Date of Board of Directors meeting | Subscription price | | Number of beneficiaries at origin | Number of beneficiaries at 01/01/2010 | Allocated at origin | Exercised or lapsed before 01/01/2010 | Exercised in 2010 | Lapsed in 2010 | Outstanding as from 01/01/2011 | No. of benefi-ciaries on 01/01/2011 | Plans expiry date |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 23/05/2002 | 15/12/2004 | 64.63 | EUR | 81 | 32 | 130,000 | (86,560) | (13,688) | - | 29,752 | 25 | 15/12/2012 |
| **Total** | | | | | | | **130,000** | **(86,560)** | **(13,688)** | **-** | **29,752** | | |

*Exercisable only as from 12 December 2006.*

*The shares may not be sold before 14 December 2008.*

The exercise of 13,688 subscription options during the financial year at an average price of €64.63 contributed to the increase in shareholders' equity offset in cash by the creation of the same number of shares.

### 13.2.2. BONUS SHARES

| (1) | Date of shareholders' general meeting | Date of Board of Directors meeting | Subscription price | Number of beneficiaries at origin | Number of beneficiaries at 01/01/2010 | Allocated at origin | Exercised or lapsed before 01/01/2010 | Exercised in 2010 | Lapsed in 2010 | Outstanding as from 01/01/2011 | No. of beneficiaries on 01/01/2011 | Plans expiry date |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 11/05/2005 | 25/04/2007 | free | 1 | - | 10,000 | (10,000) | - | - | - | - | - |
| 2 | 11/05/2005 | 23/07/2007 | free | 61 | - | 16,000 | (16,000) | - | - | - | - | - |
| 3 | 13/05/2009 | 29/07/2009 | free | 14,766 | 14,766 | 73,830 | - | - | (3,285) | 70,545 | 14,109 | 29/07/2011 |
| 4 | 20/05/2010 | 20/05/2010 | free | 14,536 | - | 29,072 | - | - | (256) | 28,816 | 14,408 | 20/05/2013 |
| 5 | 20/05/2010 | 20/05/2010 | free | 162 | - | 65,008 | - | - | - | 65,008 | 162 | 20/05/2013 |
| **Total** | | | | | | **193,910** | **(26,000)** | **-** | **(3,541)** | **164,369** | | |

(1) *Final vesting date: 1 = 25 April 2009, 2 = 23 July 2009, 3 = 29 July 2011 and 4 & 5 = 20 May 2013.*
*The shares cannot be sold prior to: 1 = 25 April 2011, 2 = 23 July 2011, 3 = 29 July 2013 and 4 & 5 = 20 May 2015.*

## 13.3. SHARE-BASED COMPENSATION

Share-based payments relates only to stock option and bonus share plans granted to employees. Those payments represented a €6 million expense (€3 million at 31 December 2009) recognised in income under current operating profit (loss).

The applicable rules are common to all plans:

- the rights vesting or grant date is the date of the Board Meeting;
- the exercise period follows a lock-out period from the date of the grant of 2 years for French employees and of 4 years for foreign employees, as from the date of grant.

All the plans are equity settled. Only stock option plans established subsequent to 7 November 2002, for which the rights have not vested by 1 January 2005, are recognised in accordance with IFRS 2 – Share-Based Payment. Accordingly, only the stock subscription option plans established at the 15 December 2004 Board Meeting (plan No. 1, Note 13.2.1) and all the bonus share grant plans (plans Nos. 1 to 4, Note 13.2.2.) fall within the scope of IFRS 2. The fair values of stock options are calculated using the Black & Scholes method.

A bonus-share allocation was granted on 20 May 2010 (plan No. 5, Note 13.2.2.) with two performance conditions attaching to the shares, one internal and one external. Pursuant to IFRS 2, the fair value was determined using the "Monte Carlo" model.

They are apportioned on a straight-line basis over the vesting period of the plan under personnel costs with a counterpart increase in shareholders' equity.

Plan measurement: the assumptions used to measure the plans are based on:

- expected volatility determined on the basis of an observation of the stock's historic performance,
- a risk-free zero coupon OT rate over the term of the plan,
- a future distribution rate based on the average for the past five years.

Based on these assumptions, the results of each plan are shown in the table below:

| *(in millions of euros)* | | Number of options | Exercise price *(in euros)* | Maturity* *(years)* | Expected | Risk-free rate | Average dividend rate | Fair value of option *(in euros)* | Accounting expenses of plans over three years: Total | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Plan No. 1 – Note 14.2.2. | France | 10,000 | bonus | 2 + 2 | 40.75% | 4.15% | 3.00% | 155.19 | 1.6 | - | 0.3 | 0.8 |
| Plan No. 2 – Note 14.2.2. | France | 16,000 | bonus | 2 + 2 | 40.75% | 4.15% | 3.00% | 194.10 | 3.1 | - | 0.9 | 1.5 |
| Plan No. 3 – Note 14.2.2. | France | 24,430 | bonus | 2 + 2 | - | 2.50% | 2.35% | 151.48 | 3.5 | 1.8 | 0.7 | - |
| | Worldwide | 46,115 | bonus | 4 + 0 | - | 2.50% | 2.35% | 145.00 | 6.5 | 1.6 | 0.8 | - |
| Plan No. 4 – Note 14.2.2. | France | 9,930 | bonus | 2 + 2 | - | 0.79% | 2.50% | 174.88 | 1.6 | 0.5 | - | - |
| | Worldwide | 18,886 | bonus | 4 + 0 | - | 0.79% | 2.50% | 180.02 | 3.3 | 0.5 | - | - |
| Plan No. 2 – Note 14.2.2. | France | 48,230 | bonus | 3 + 2 | - | 0.79% | 2.50% | (1) | 6.8 | 1.4 | - | - |
| | Worldwide | 16,778 | bonus | 4 + 0 | - | 0.79% | 2.50% | (2) | 2.4 | 0.4 | - | - |

* *Maturity = vesting period + lock-in period.*

(1) *Each bonus share allocated to the French beneficiaries was measured at €187.05 with the intrinsic condition and €113.02 with the external condition.*

(2) *Each bonus share allocated to the foreign beneficiaries was measured at €194.86 with the intrinsic condition and €117.74 with the external condition.*

# NOTE 14. Attributable to non-controlling interests

## 14.1. BY CATEGORY

| (in millions of euros) | % of non-controlling interests | 31/12/2010 Profit (loss) | 31/12/2010 Total | 31/12/2009 Total | 31/12/2008 Total |
|---|---|---|---|---|---|
| Le Nickel – SLN | 44.00% | 60 | 683 | 629 | 661 |
| Comilog S.A. | 32.75% | 72 | 278 | 284 | 267 |
| Eralloys Holding A/S & Tinfos A/S | - | - | - | - | 124 |
| Strand Minerals Inc. | 33.40% | (2) | 40 | 39 | - |
| Pt Weda Nickel Ltd | 10.00% | - | 15 | 14 | 14 |
| Guangxi Comilog Ferro Alloys Ltd | 30.00% | (2) | (2) | - | 3 |
| Interforge | 6.00% | - | 1 | 1 | 1 |
| Other companies | - | (2) | 1 | 3 | 1 |
| **Total** | | **126** | **1,016** | **970** | **1,071** |

## 14.2. CHANGES OVER THE PERIOD

| (in millions of euros) | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| **FY at 1 January** | **970** | **1,071** | **841** |
| Business combinations | - | - | - |
| Other changes in scope | - | - | 1 |
| Dividends paid | (105) | (27) | (51) |
| Profit (loss) for the period | 126 | 4 | 161 |
| Change in revaluation reserve for hedging financial instruments | 1 | 11 | 4 |
| Changes of percentage interests in subsidiaries | 17 | (97) | 136 |
| Translation differences and other movements | 7 | 8 | (21) |
| **At period end** | **1,016** | **970** | **1,071** |

Business combinations in 2009 related to the two-stage acquisition in late July 2008 of the Norwegian companies Eralloys Holding A/S and Tinfos A/S.

Changes in percentage interests in subsidiaries for the 2009 financial year comprised the disposal of 33.4% in Strand Minerals Pte Ltd to Mitsubishi Corporation. In 2010, those changes reflect the disposal of 2.17% of the Comilog S.A. shares to the Gabonese State (Note 2).

# NOTE 15. Employee-related liabilities

ERAMET Group companies offer their employees various long-term benefits in accordance with the rules and practices in force in the countries where they operate. An actuarial appraisal of the liabilities of Group companies was carried out using a standard actuarial framework (assumptions and methods) defined by the Group in accordance with the principles set out in IAS 19 – Employee Benefits. These liabilities are measured each year on a multi-annual basis (two or three years, except for non-recurring events requiring a new measurement for each case individually).

The main Group liabilities in respect of employee benefits over the period were as follows:

- **Belgium:**
  - pension plan providing for the payment of benefits from the age of 65 for managerial staff with 25 years' service, including scope for drawing the pension early on a reduced-payment basis;
  - long-service bonuses: payment of one month's salary to all employees completing 25 years of service.

- **United States:**
  - pension plans providing for the payment of a pension, the amount of which depends on length of service at the time of retirement (at age 62 or 65, depending on the plan). Scope for early retirement and eligibility for disability benefits depending on seniority and the plan in question;
  - healthcare for pensioners of certain sites, part of a closed plan;
  - life insurance plan for employees of certain sites.
- **France:**
  - retirement packages providing for the payment of a lump sum determined on the basis of length of service and final salary;
  - healthcare for employees and pensioners at ERAMET's Sandouville site;
  - long-service bonuses: payment of a lump sum varying depending on the site after 20, 30, 35 and 40 years' service;
  - supplementary pension plan for certain senior managers of ERAMET.
- **Gabon:**
  - a pension plan providing for the payment of an employee retirement indemnity after a minimum of three years' service calculated on the basis of salary and length of service;
  - plan providing for the payment of an employee termination benefit (retirement, death, redundancy) after two years' 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 of service.
- **Mexico:**
  - retirement indemnity representing 25 days' salary paid to all employees aged over 60 and having 15 years' seniority (27 days' salary for seniority of 18 years or more).
- **Norway:**
  - long-service bonuses: payment of a lump sum to all employees after 25, 30, 40 and 50 years of service and upon retirement;
  - retirement package: payment of an employee retirement annuity based on the employee's terminal salary and seniority on retirement;
  - early retirement plan: defined benefit plan covering employees 62 to 67 years of age following agreement between the employer and employees;
  - supplementary pension plan: 3 defined benefit plans covering employees 67 years of age and over.
- **New Caledonia:**
  - retirement packages providing for the payment of a lump sum determined on the basis of length of service and final salary;
  - loyalty bonuses paid after ten years' seniority and then every five years, calculated as a percentage of the basic salary;
  - long-service bonuses: lump-sum payment after 20, 30, 35 and 40 years' seniority (reduced to 15 years, 22 years and 6 months, 26 years and 3 months, and 30 years if the employee's service is outside mainland France);
  - allocation of flight tickets of a number, value and frequency varying according to occupational category.
- **United Kingdom:**
  - pension plan providing for the payment of a lump sum or benefits based on final salary, revised annually for inflation.
- **Sweden:**
  - pension plan offered to former employees of Stora providing for the payment of a percentage (over 65%) of the final salary.

The ERAMET Group's defined benefit plan liabilities presented above break down as follows: the US (36% of liabilities), France (29% of liabilities), Norway (20% of liabilities) and New Caledonia (7% of liabilities).

The following actuarial assumptions are used for measurements of value:

| As at 31 December 2010 | Europe | North America | New Caledonia | Gabon |
|---|---|---|---|---|
| Discount rate | **2.1% – 5.3%** | **5% – 7.1%** | **4.9%** | **5.4%** |
| Inflation rate | **2% – 3.7%** | **2.3% – 3.4%** | **3%** | **3%** |
| Salary increase rate | **2.3% – 4.25%** | **3% – 4.4%** | **4%** | **5%** |
| Return on plan financial assets | **3.8% – 6.25%** | **7.8% – 8%** | **4%** | **n/a** |

| As at 31 December 2009 | Europe | North America | New Caledonia | Gabon |
|---|---|---|---|---|
| Discount rate | 3.4% – 5.9% | 5.75% – 8.7% | 5% | 5.8% |
| Inflation rate | 2% – 3.75% | 2.5% – 3.4% | 3% | 3% |
| Salary increase rate | 3% – 4.25% | 3% – 5% | 4% | 4% |
| Return on plan financial assets | 4.5% – 6.4% | 7.8% – 8.5% | 4.5% | n/a |

| As at 31 December 2008 | Europe | North America | New Caledonia | Gabon |
|---|---|---|---|---|
| Discount rate | 2.6% – 5.9% | 6% – 8.3% | 5.4% | 6.5% |
| Inflation rate | 2% – 3.2% | 2.2% – 3.4% | 3% | 3% |
| Salary increase rate | 2.5% – 4.5% | 3% – 5% | 4% | 5% |
| Return on plan financial assets | 3.75% – 7% | 7.8% – 8% | 5% | n/a |

The outcome of the appraisals is as follows:

| | Actuarial value of liabilities | | | Fair value of assets | | | Financial position (surplus) / deficit | | |
|---|---|---|---|---|---|---|---|---|---|
| *(in millions of euros)* | FY 2010 | FY 2009 | FY 2008 | FY 2010 | FY 2009 | FY 2008 | FY 2010 | FY 2009 | FY 2008 |
| Pension plans | **216** | 202 | 206 | **155** | 144 | 133 | **61** | 58 | 73 |
| Retirement indemnities | **95** | 87 | 85 | **45** | 44 | 39 | **50** | 43 | 46 |
| Awards and bonuses | **25** | 26 | 23 | **-** | - | - | **25** | 26 | 23 |
| Healthcare plans | **25** | 23 | 24 | **-** | - | - | **25** | 23 | 24 |
| **Total** | **361** | **338** | **338** | **200** | **188** | **172** | **161** | **150** | **166** |

| | Unrecognised Actuarial gains/ (losses) | | | Unrecognised Past service | | | Balance sheet provisions (asset)/liability | | |
|---|---|---|---|---|---|---|---|---|---|
| *(in millions of euros)* | FY 2010 | FY 2009 | FY 2008 | FY 2010 | FY 2009 | FY 2008 | FY 2010 | FY 2009 | FY 2008 |
| Pension plans | **(27)** | (14) | (33) | **(2)** | (4) | (7) | **32** | 40 | 33 |
| Retirement indemnities | **-** | (5) | (7) | **(9)** | (3) | (3) | **41** | 35 | 36 |
| Awards and bonuses | **-** | - | - | **-** | - | - | **25** | 26 | 23 |
| Healthcare plans | **(1)** | - | - | **-** | - | - | **24** | 23 | 24 |
| **Total** | **(28)** | **(19)** | **(40)** | **(11)** | **(7)** | **(10)** | **122** | **124** | **116** |
| Provisions | | | | | | | **123** | 128 | 121 |
| Pension-plan assets/Other financial assets (Note 9) | | | | | | | **1** | 4 | 5 |

Total liabilities amounted to €361 million at 31 December 2010 (€338 million at 31 December 2009) and the fair value of plan assets was €200 million at 31 December 2010 (€188 million at 31 December 2009). The net position (surplus/deficit) of the plans, which was €161 million at 31 December 2010 (€150 million at 31 December 2009) does not reflect the impact of plan changes (€39 million at 31 December 2010). The greater of actuarial differences exceeding 10% of the present value of the liability in respect of defined benefits and 10% of the fair value of plan assets at the previous balance sheet date is apportioned over the remaining working life of plan members. In the event of changes to the plan, the past service cost is apportioned on a straight-line basis over the average remaining period until the corresponding rights vest for employees. Liabilities for which there are no supporting assets amount to €85 million (€87 million at 31 December 2009).

The pension funds are invested as follows:

| *(in millions of euros)* | FY 2010 | | FY 2009 | | FY 2008 | |
|---|---|---|---|---|---|---|
| Equities | 64 | 32% | 63 | 34% | 50 | 29% |
| • Europe | 20 | 10% | 17 | 9% | 13 | 8% |
| • North America | 41 | 21% | 45 | 24% | 36 | 21% |
| • New Caledonia | 3 | 2% | 1 | 1% | 1 | 1% |
| • Gabon | - | - | - | - | - | - |
| Bonds | 117 | 59% | 104 | 55% | 86 | 50% |
| • Europe | 72 | 36% | 69 | 37% | 53 | 31% |
| • North America | 39 | 20% | 28 | 15% | 26 | 15% |
| • New Caledonia | 6 | 3% | 7 | 4% | 7 | 4% |
| • Gabon | - | - | - | - | - | - |
| Other investments | 19 | 10% | 21 | 11% | 36 | 21% |
| • Europe | 18 | 9% | 20 | 11% | 35 | 20% |
| • North America | - | - | - | - | 1 | 1% |
| • New Caledonia | 1 | 1% | 1 | 1% | - | - |
| • Gabon | - | - | - | - | - | - |
| **Total** | **200** | **100%** | **188** | **100%** | **172** | **100%** |

The pension fund asset allocation policy depends on country specific practices.

The change in provisions for employee benefits over the period was as follows:

| *(in millions of euros)* | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| **FY at 1 January** | **124** | **116** | **112** |
| Business combinations | - | - | 15 |
| Other changes in scope | - | (1) | - |
| Expenses recognised | 8 | 33 | 27 |
| • Service cost | 9 | 9 | 11 |
| • Net interest expense | 17 | 17 | 15 |
| • Return on plan assets | (12) | (10) | (10) |
| • Amortisation of actuarial gains/losses and past service cost | 3 | 18 | 15 |
| • Other | (9) | (1) | (4) |
| Contributions paid | (13) | (27) | (33) |
| Translation differences and other movements | 3 | 3 | (5) |
| **At end of period** | **122** | **124** | **116** |

The table below breaks down the provision by component as applying to 2010:

| *(in millions of euros)* | Present value of liabilities | Fair value of plan assets | Financial position (surplus)/deficit | Unrecognised actuarial gains/ (losses) | Unrecognised past service | Provision on Balance sheet (asset)/ liability |
|---|---|---|---|---|---|---|
| **Position as at 31 December 2007** | **247** | **143** | **104** | **8** | **-** | **112** |
| Business combinations | 43 | 28 | 15 | - | - | 15 |
| Other changes in scope | - | - | - | - | - | - |
| Expenses recognised | 78 | (7) | 85 | (48) | (10) | 27 |
| • Service cost | 11 | - | 11 | - | - | 11 |
| • Net interest expense | 15 | - | 15 | - | - | 15 |
| • Return on plan assets | - | 10 | (10) | | - | (10) |
| • Amortisation of actuarial gains and losses | 22 | (26) | 48 | (48) | - | - |
| • Amortisation of past service cost | 26 | - | 26 | - | (11) | 15 |
| • Other | 4 | 9 | (5) | - | 1 | (4) |
| Contributions paid | (17) | 16 | (33) | - | - | (33) |
| Translation differences and other movements | (13) | (8) | (5) | - | - | (5) |
| **Position as at 31 December 2008** | **338** | **172** | **166** | **(40)** | **(10)** | **116** |
| Business combinations | - | - | - | - | - | - |
| Other changes in scope | (1) | - | (1) | - | - | (1) |
| Expenses recognised | 13 | 4 | 9 | 21 | 3 | 33 |
| • Service cost | 9 | - | 9 | - | - | 9 |
| • Net interest expense | 17 | - | 17 | - | - | 17 |
| • Return on plan assets | - | 14 | (14) | 4 | - | (10) |
| • Amortisation of actuarial gains and losses | (5) | - | (5) | 18 | - | 13 |
| • Amortisation of past service cost | 2 | - | 2 | - | 3 | 5 |
| • Other | (10) | (10) | | (1) | | (1) |
| Contributions paid | (21) | 6 | (27) | - | - | (27) |
| Translation differences and other movements | 9 | 6 | 3 | - | - | 3 |
| **Position as at 31 December 2009** | **338** | **188** | **150** | **(19)** | **(7)** | **124** |
| Business combinations | - | - | - | - | - | - |
| Other changes in scope | - | - | | - | - | |
| Expenses recognised | 31 | 11 | 20 | (8) | (4) | 8 |
| • Service cost | 9 | - | 9 | - | - | 9 |
| • Net interest expense | 17 | - | 17 | - | - | 17 |
| • Return on plan assets | - | 11 | (11) | (1) | - | (12) |
| • Amortisation of actuarial gains and losses | 6 | - | 6 | (6) | - | |
| • Amortisation of past service cost | 7 | - | 7 | - | (4) | 3 |
| • Other | (8) | - | (8) | (1) | - | (9) |
| Contributions paid | (22) | (9) | (13) | - | - | (13) |
| Translation differences and other movements | 14 | 10 | 4 | (1) | - | 3 |
| **Position as at 31 December 2010** | **361** | **200** | **161** | **(28)** | **(11)** | **122** |

The table below breaks down the actuarial differences based on experience:

| *(in millions of euros)* | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| Actuarial value of liabilities | 361 | 338 | 338 |
| Fair value of plan assets | 200 | 188 | 172 |
| **(Surplus)/deficit** | **161** | **150** | **166** |
| Experience gains and losses on liabilities | (4) | (42) | 9 |
| Other gains or losses on liabilities | 11 | 37 | 10 |
| Experience gains and losses on assets | 1 | (4) | (27) |
| Other gains and losses on assets | - | - | - |

A one percentage point increase in medical expenses would result in the liability changing by around €2 million but with no material impact on the expense for the period, primarily in the United States. The impact on the liability of a 0.25% increase in the discount rate or the inflation rate would be -€9 million and +€4 million respectively, with no major impact on the expense for the financial year.

The amount of provisions for expected contributions and for benefits to be paid by the Group for 2011 in respect of post-employment plans is estimated at €7 million.

# NOTE 16. **Provisions**

## 16.1. BY CATEGORY

| *(in millions of euros)* | 31/12/2010 | 31/12/2009 | 31/12/2008 |
|---|---|---|---|
| Personnel | 25 | 10 | 20 |
| Environmental contingencies and site restoration | 283 | 254 | 258 |
| Other contingencies and losses | 81 | 79 | 25 |
| **Total** | **389** | **343** | **303** |
| • Long-term portion | 360 | 314 | 271 |
| • Short-term portion | 29 | 29 | 32 |

## 16.2. CHANGES OVER THE PERIOD

| *(in millions of euros)* | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| **FY at 1 January** | **343** | **303** | **286** |
| Business combinations | - | (7) | 11 |
| Other changes in scope | - | - | - |
| Provisions (reversals) for the period | 23 | 50 | (14) |
| • Provisions for the period | 42 | 71 | 27 |
| • (Reversals) for the period, used | (24) | (28) | (44) |
| • (Reversals) for the period, unused | (5) | (2) | (7) |
| • Accretion expenses | 10 | 9 | 10 |
| Dismantling assets | 20 | 2 | 18 |
| Translation differences and other movements | 3 | (5) | 2 |
| **At period end** | **389** | **343** | **303** |

## 16.3. PERSONNEL

| (in millions of euros) | 31/12/2010 | 31/12/2009 | 31/12/2008 |
|---|---|---|---|
| Restructuring and redundancy plans | 21 | 5 | 13 |
| Other payroll contingencies and losses | 4 | 5 | 7 |
| **Total** | **25** | **10** | **20** |
| • Long-term portion | 15 | 4 | 7 |
| • Short-term portion | 10 | 6 | 13 |

**Restructuring and redundancy plans:** all restructuring and redundancy costs are fully provisioned whenever the IFRS criteria are satisfied. These provisions break down as follows:

| (in millions of euros) | 31/12/2010 | 31/12/2009 | 31/12/2008 |
|---|---|---|---|
| Erachem Comilog S.A. redundancy plan | 7 | 2 | 2 |
| Aubert & Duval redundancy plan | 5 | - | 1 |
| Erasteel Commentry redundancy plan | 7 | - | - |
| Other restructuring and redundancy plans – Manganese Division | 2 | 3 | 9 |
| Other restructuring and redundancy plans – Alloys Division | - | - | 1 |
| **Total** | **21** | **5** | **13** |

The changes over the period were as follows:

| (in millions of euros) | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| **FY at 1 January** | 5 | 13 | 7 |
| Business combinations | - | - | - |
| Other changes in scope | - | - | - |
| Provisions (reversals) for the period | 16 | (8) | 6 |
| • Provisions for the period | 17 | - | 8 |
| • (Reversals) for the period, used | (1) | (7) | (2) |
| • (Reversals) for the period, unused | - | (1) | - |
| Translation differences and other movements | - | - | - |
| **At end of period** | 21 | 5 | 13 |

The increase in restructurings in 2008 relates to the "Special Products" business of ERAMET Marietta Inc. in the United States (Manganese Division) reflecting a provisioned cost of €7 million. The introduction of new redundancy plans in France and Belgium in the Alloys and Manganese Divisions contributed to increasing the amount of restructuring provisions at 31 December 2010 (€21 million compared with €5 million at 31 December 2009).

**Other labour contingencies and losses:** These provisions relate primarily to disputes with employees and social security bodies, and the changes in those provisions break down as follows:

| (in millions of euros) | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| **FY at 1 January** | 5 | 7 | 16 |
| Business combinations | - | - | - |
| Other changes in scope | - | - | - |
| Provisions (reversals) for the period | (1) | (2) | (10) |
| • Provisions for the period | 1 | 3 | 4 |
| • (Reversals) for the period, used | (2) | (5) | (14) |
| • (Reversals) for the period, unused | - | - | - |
| Translation differences and other movements | - | - | 1 |
| **At end of period** | 4 | 5 | 7 |

## 16.4. ENVIRONMENTAL CONTINGENCIES AND SITE RESTORATION

| *(in millions of euros)* | 31/12/2010 | 31/12/2009 | 31/12/2008 |
|---|---|---|---|
| Environmental contingencies | **30** | 28 | 38 |
| Site restoration * | **253** | 226 | 220 |
| **Total** | **283** | **254** | **258** |
| ** of which provisions with counterpart dismantling assets* | ***184*** | *156* | *146* |
| • Long-term portion | ***277*** | 247 | 249 |
| • Short-term portion | **6** | 7 | 11 |

**Environmental contingencies:** the provision amounted to €30 million at 31 December 2010 (€28 million at 31 December 2009) and primarily related to the Manganese Division (€13 million compared with €12 million at 31 December 2009) and the Alloys Division (€9 million against €10 million at 31 December 2009).

The increase was mainly due to the consolidation as of 1 August 2008 of the Norwegian companies Eralloys Holding A/S and Tinfos A/S accounting for €11 million, as measured by the risk assessment carried out by an independent firm. During the 2nd half-year of 2009, the provision was adjusted to €4 million, with a counterpart adjustment to goodwill.

In the Manganese Division, provisions were recognised for liabilities arising under environment-related legal and regulatory obligations or provisions. In Marietta (US), the provisions primarily cover obligations with regard to impoundments. These provisions were measured on the basis of expert reports and technical analyses; they have been reclassified under site restoration since 2006.

| *(in millions of euros)* | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| **FY at 1 January** | **28** | **38** | **27** |
| Business combinations | **-** | (7) | 11 |
| Other changes in scope | **-** | - | - |
| Provisions (reversals) for the period | **2** | (3) | (1) |
| • Provisions for the period | **5** | 2 | 1 |
| • (Reversals) for the period, used | **(3)** | (5) | (2) |
| • (Reversals) for the period, unused | **-** | - | - |
| Translation differences and other movements | **-** | - | 1 |
| **At end of period** | **30** | **28** | **38** |

**Site restoration:** site restoration for currently-operating mining sites involved Le Nickel-SLN in New Caledonia (Nickel Division) for €187 million (31 December 2009: €173 million), Comilog S.A. in Gabon (Manganese Division) for €18 million (31 December 2009: €6 million) and, since 2006, ERAMET Mariette Inc. in the US for €25 million (31 December 2009: €23 million). The increase in the provision for New Caledonia is due to the re-measurement of certain dismantling costs and the increase in the areas to be treated. For centres in operation, a dismantling asset was recognised of €18 million in 2008, -€5 million in 2009 and €9 million en 2010. For 2010, in Gabon an additional €11 million provision was recognised with a counterpart dismantling asset. In 2009, a provision of €7 million was recognised for the possible closure of the Doniambo plant at a 30-year time horizon. At Boulogne-sur-Mer, provisions were recognised in 2003 and 2007 for regulatory and constructive obligations with regard to the demolition and restoration of the site following the decision to shut down the plant (Note 16.5).

Site reconditioning costs are discounted over the period remaining until the scheduled mine closure date, such period not extending beyond 2040 in New Caledonia, 2032 in Gabon and 2074 in the United States. These provisions are discounted at a rate of 4.9% in New Caledonia, 5.4% in Gabon and 5% in the United States. A one percentage point increase or decrease in the discount rate would respectively result in a €27 million decrease and a €33 million increase in provisions.

The Group has no decommissioning fund as defined by IFRIC 5.

| *(in millions of euros)* | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| **FY at 1 January** | **226** | **220** | **198** |
| Business combinations | - | - | - |
| Other changes in scope | - | - | - |
| Provisions (reversals) for the period | 6 | 5 | 3 |
| • Provisions for the period | 2 | 1 | 7 |
| • (Reversals) for the period, used | (6) | (4) | (14) |
| • (Reversals) for the period, unused | - | (1) | - |
| • Accretion expenses | 10 | 9 | 10 |
| Dismantling assets | 20 | 2 | 18 |
| Translation differences and other movements | 1 | (1) | 1 |
| **At end of period** | **253** | **226** | **220** |

## 16.5. OTHER CONTINGENCIES AND LOSSES

The other provisions for contingencies and losses include, in particular, €45 million (US$60 million) for financial risks associated with the put options granted by ERAMET to Mitsubishi Corporation in connection with the disposal of 33.4% of the shares in Strand Minerals Pte Ltd. In parallel with the sale agreements, ERAMET granted Mitsubishi Corporation put options in respect of the shares acquired. These options may be exercised under certain conditions, which are mainly linked to the success of the mining project. These options may be exercised during specific windows, in particular up to the date of the definitive project investment decision, which was scheduled for 2012, unless the parties agree otherwise. The exercise price of these puts is an agreed price that varies in line with the circumstances provided for in the contracts (between US$58 million and US$118 million) plus the proceeds from the resale of the receivable owed by Strand Minerals Pte Ltd. In addition, Mitsubishi Corporation has an open-ended option to sell its interest to ERAMET at fair value in the event of a change in control at ERAMET. In return, ERAMET has an open-ended option to buy Mitsubishi Corporation's interest in Strand Minerals Pte Ltd at fair value in the event of a change in control at Mitsubishi Corporation. This income will be recognised when the final decision is made whether to invest in the project.

The other provisions spread across the three divisions cover miscellaneous contingencies, including the €5 million cost of closing the Boulogne-sur-Mer plant (unchanged from end 2009), commercial risks/disputes (€14 million compared with €12 million at the end of 2009), various supplier lawsuits in New Caledonia for €1 million (compared with €1 million at 31 December 2009) and provisions for tax risks of €3 million.

| *(in millions of euros)* | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| **FY at 1 January** | **79** | **25** | **38** |
| Business combinations | - | - | - |
| Other changes in scope | - | - | - |
| Provisions (reversals) for the period | | 58 | (12) |
| • Provisions for the period | 17 | 65 | 7 |
| • (Reversals) for the period, used | (12) | (7) | (12) |
| • (Reversals) for the period, unused | (5) | - | (7) |
| • Accretion expenses | 17 | 65 | 7 |
| Translation differences and other movements | 2 | (4) | (1) |
| **At end of period** | **81** | **79** | **25** |

## 16.6. ONGOING DISPUTES

To the best of the Company's knowledge, there are no other extraordinary situations (except the Carlo Tassara France proceedings described in paragraph 32 – Additional information) or disputes likely to have a material impact on the financial position, results or assets of the Company or Group.

# NOTE 17. **Deferred tax**

## 17.1. BY CATEGORY

| *(in millions of euros)* | 31/12/2010 | 31/12/2009 | 31/12/2008 |
|---|---|---|---|
| Difference between tax and consolidated amounts of non-current assets | **136** | 143 | 125 |
| Restatement of tax entries | **257** | 212 | 203 |
| Other temporary differences | **152** | 112 | 120 |
| Hedging instruments | **25** | 21 | 16 |
| Other | **26** | 8 | 6 |
| **Deferred tax liabilities** | **596** | **496** | **470** |
| Temporary differences | **157** | 155 | 120 |
| Tax loss carry-forwards * | **68** | 86 | 12 |
| Elimination of gains (losses) on internal disposals | **40** | 20 | 78 |
| Hedging instruments | **19** | 6 | 52 |
| Other | **-** | - | - |
| **Deferred tax assets** | **284** | **267** | **262** |
| **Total** | **312** | **229** | **208** |
| * Limited or written off deferred tax assets | **62** | 43 | 30 |
| Capitalised deferred tax assets | **68** | 86 | 12 |

The increase in both 2010 and 2009 in deferred taxes relating to the restatement of tax-related entries was due to the recognition of regulated (tax-driven) provisions in Gabon, New Caledonia and France.

The 2009 increase in deferred tax arising on differences between the tax and consolidated measurements of non-current assets is attributable to the allocation of the Eralloys Holding A/S acquisition price to depreciable/amortisable assets.

Other temporary differences recognised at 31 December 2010, representing €5 million in net assets (€152 million of liabilities and €157 million of assets), mainly relate to inventory measurement (net liability: €27 million), finance leasing (net liability: €11 million), reinsurance underwriting provisions (net liability: €10 million), unrealised gains on UCITS (net liability: €2 million), the fair value of bonds (net liability: €4 million), employee benefits (net asset: €13 million), provisions (net asset: €2 million) and expenses and provisions not deductible from subsidiaries' taxable earnings (net asset: €65 million).

The 2009 decrease in deferred tax assets on hedging instruments was mainly due to the decline in liability positions on commodity hedges, primarily for nickel. In 2010, the decrease in liabilities mainly reflects the lowering of asset positions on currency hedges (Note 20).

Other deferred-tax liabilities mainly consist of provisions for withholding tax on future dividend payments. The 2010 increase is mainly attributable to the exceptional dividend payment scheduled for 2011 in connection with the disposal by ERAMET during June 2011 of 1.37% of its shareholding in Comilog S.A. to the Gabonese State (Note 28).

## 17.2. CHANGES OVER THE PERIOD

| (in millions of euros) | Liabilities | Assets | Net FY 2010 | Net FY 2009 | Net FY 2008 |
|---|---|---|---|---|---|
| **At beginning of period** | **496** | **267** | **229** | **208** | **233** |
| Business combinations | 1 | - | 1 | - | 6 |
| Other changes in scope | - | - | - | - | - |
| Deferred tax offset in shareholders' equity | (7) | (1) | (6) | 53 | (39) |
| Deferred tax on profit (loss) for the period | 111 | 29 | 82 | (60) | 15 |
| Translation differences and other movements | (5) | (11) | 6 | 28 | (7) |
| **At end of period** | **596** | **284** | **312** | **229** | **208** |
| Net deferred tax after offsetting by tax entity | | | | | |
| • Deferred tax assets | | | 30 | 68 | 32 |
| • Deferred tax liabilities | | | 342 | 297 | 240 |

Pursuant to IAS 12, deferred tax assets and liabilities have been presented separately in the balance sheet after offsetting within each tax entity, with aging being restated accordingly. Except for tax consolidation in France (Note 17.3) and the United States (Note 17.4), every company is an independent tax entity.

## 17.3. TAX CONSOLIDATION IN FRANCE

Tax losses of €115 million mainly arose during the 2009 and 2010 financial years, and gave rise to €39 million of deferred-tax utilisation. No tax losses arising in earlier financial years remained outstanding. The net position of deferred tax arising from tax consolidation in France is a liability of €42 million (€94 million of liabilities and €52 million of assets) compared with a net €55 million liability (€138 million of liabilities and €83 million of assets) at 31 December 2009.

## 17.4. TAX CONSOLIDATION IN THE UNITED STATES

The tax consolidation group in the US had a net tax liability of €2 million (€9 million in liabilities and €7 million in assets) compared with a €2 million net asset (€17 million in liabilities and €19 million in assets) at 31 December 2009. At 31 December 2008, there were no tax losses eligible to carry forward; the tax losses, amounting to €15 million, arose in 2009, generating €5 million in deferred-tax assets.

# NOTE 18. **Borrowings**

## 18.1. BY CATEGORY

| (in millions of euros) | 31/12/2010 | 31/12/2009 | 31/12/2008 |
|---|---|---|---|
| Bank loans * | 125 | 13 | 55 |
| Bank overdrafts and creditor banks | 26 | 31 | 46 |
| Finance leases | 41 | 46 | 51 |
| Other borrowings and financial liabilities | 99 | 181 | 47 |
| **Total** | **291** | **271** | **199** |

** Of which commercial paper.*

ERAMET has had a commercial paper programme since 2005. The amount of commercial paper issued is included under "Bank loans". The amount of commercial paper issued is included under "Bank loans".

## 18.2. BY CURRENCY

| *(in millions of euros)* | 31/12/2010 | 31/12/2009 | 31/12/2008 |
|---|---|---|---|
| Euro | 76 | 94 | 112 |
| US dollar | 15 | 18 | 52 |
| CFA franc | 25 | 24 | 12 |
| British pound | 3 | 2 | - |
| Norwegian krone | 120 | 120 | 16 |
| Other currencies | 52 | 13 | 7 |
| **Total** | **291** | **271** | **199** |

## 18.3. BY MATURITY

| *(in millions of euros)* | 31/12/2010 | 31/12/2009 | 31/12/2008 |
|---|---|---|---|
| Less than one year | 88 | 72 | 109 |
| One to five years | 157 | 147 | 47 |
| Over five years | 46 | 52 | 43 |
| **Total** | **291** | **271** | **199** |

ERAMET enjoys confirmed medium and long-term credit facilities (with maturities ranging from one to five years). The unused amounts of these credit facilities on the balance sheet date would allow the Group to refinance its short-term debt on a longer-term basis.

| *(in millions of euros)* | 31/12/2010 | 31/12/2009 | 31/12/2008 |
|---|---|---|---|
| Unused confirmed credit facilities (1) | 600 | 600 | 600 |
| Unissued commercial paper | 400 | 400 | 400 |
| Repos (2) | 210 | 210 | - |

*(1) Bank covenants relating to these credit facilities are wholly satisfied. The covenants relate to the ratio of the Group's net debt to shareholders' equity. The confirmed credit facilities was renewed and increased to €800 million on 18 January 2011.*

*(2) Based on the criteria associated with the repo programme (Note 20.3.4 – Liquidity risks), only €210 million of bonds would be eligible.*

## 18.4. BY INTEREST RATE

| *(in millions of euros)* | 31/12/2010 | 31/12/2009 | 31/12/2008 |
|---|---|---|---|
| Interest-free | 1 | 5 | 5 |
| Fixed interest rates | 56 | 40 | 28 |
| • Under 5% | - | - | - |
| • 5%-10% | 56 | 40 | 27 |
| • Over 10% | - | - | 1 |
| Variable interest rates | 234 | 226 | 166 |
| • Under 5% | 117 | 113 | 139 |
| • 5%-10% | 115 | 112 | 23 |
| • Over 10% | 2 | 1 | 4 |
| **Total** | **291** | **271** | **199** |

## 18.5. FINANCE LEASES

| *(in millions of euros)* | 31/12/2010 Nominal value | 31/12/2010 Discounted value | 31/12/2009 Nominal value | 31/12/2009 Discounted value | 31/12/2008 Nominal value | 31/12/2008 Discounted value |
|---|---|---|---|---|---|---|
| Less than one year | 6 | 5 | 6 | 5 | 7 | 5 |
| One to five years | 24 | 22 | 25 | 21 | 25 | 21 |
| Over five years | 14 | 14 | 20 | 20 | 25 | 25 |
| **Total** | **44** | **41** | **51** | **46** | **57** | **51** |
| Interest expense | - | 3 | - | 5 | - | 6 |
| **Total** | **44** | **44** | **51** | **51** | **57** | **57** |

Finance lease liabilities mainly relate to capital expenditure on the 40,000-ton press in Pamiers (Airforge – Alloys Division) of €40 million, mainly arising on capital expenditure in 2006.

## 18.6. NET CASH OR NET BORROWING POSITION

### 18.6.1. BY CATEGORY

| *(in millions of euros)* | 31/12/2010 | 31/12/2009 | 31/12/2008 |
|---|---|---|---|
| Borrowings and financial liabilities | (291) | (271) | (199) |
| Bonds – Other current financial assets | 359 | 405 | 388 |
| Cash equivalents | 1,132 | 753 | 869 |
| Cash | 95 | 59 | 75 |
| **Total** | **1,295** | **946** | **1 133** |

### 18.6.2. STATEMENT OF NET CASH FLOWS OR (NET DEBT)

| *(in millions of euros)* | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| Operating activities | | | |
| EBITDA | 971 | 59 | 1,505 |
| Elimination of non-cash and non-operating income and expenses | (201) | (101) | (395) |
| **Cash generated by operating activities** | **770** | **(42)** | **1,110** |
| Net change in current operating assets and liabilities | (43) | 154 | 30 |
| **Net cash generated by operating activities** | **727** | **112** | **1,140** |
| Cash flow from investing activities | | | |
| Industrial capital expenditure | (326) | (286) | (419) |
| Net financial disposals (investments) | 76 | 11 | (425) |
| Proceeds from non-current asset disposals | 5 | 3 | 11 |
| Changes in receivables & payables on non-current assets | 4 | (11) | (4) |
| Changes in scope and loans | (11) | (10) | 27 |
| Dividends received from associates | - | - | 1 |
| **Net cash used in investing activities** | **(252)** | **(293)** | **(809)** |
| Cash flows from financing activities | | | |
| Dividends paid | (152) | (164) | (205) |
| Proceeds from share capital increases | 31 | 74 | 119 |
| Change in working capital requirement arising from financing activities | - | 19 | - |
| **Net cash used in financing activities** | **(121)** | **(71)** | **(86)** |
| Exchange-rate impact | (5) | 65 | (66) |
| **Increase (decrease) in net cash or borrowings** | **349** | **(187)** | **179** |
| **Opening net cash position** | **946** | **1,133** | **954** |
| **Closing net cash position** | **1,295** | **946** | **1,133** |

## NOTE 19. **Trade and other payables**

### 19.1. BY CATEGORY

| *(in millions of euros)* | 31/12/2010 | 31/12/2009 | 31/12/2008 |
|---|---|---|---|
| Trade payables | 408 | 352 | 465 |
| Tax and payroll liabilities | 215 | 152 | 220 |
| Other operating liabilities | 83 | 80 | 190 |
| Payables on non-current assets | 48 | 32 | 39 |
| Payables to associates – dividends | 1 | - | 1 |
| Unearned income | 9 | 10 | 14 |
| **Total** | **764** | **626** | **929** |
| • Non-current liabilities | 33 | 36 | 22 |
| • Current liabilities | 731 | 590 | 907 |

Most of the trade and other payables are due in less than one year. The €33 million (€36 million at 31 December 2009) in non-current liabilities related to Setrag SA's 25-year debt to the Gabonese State in connection with the purchase of own property and a portion of the spare parts inventory for €11 million (unchanged from 31 December 2009), as well as with the €2 million (€7 million at 31 December 2009) of tax benefits relating to the financing of furnace No. 10 (2004 agreement) and of the washing plant (2006 agreement) as part of the Le Nickel-SLN project, apportioned over five- and six-year periods. Since the disposal of 33.4% of the shares in Strand Minerals Pte Ltd to Mitsubishi Corporation, non-current liabilities include the US$27 million (€20 million) relating to geology expenses.

### 19.2. CHANGES OVER THE PERIOD

| *(in millions of euros)* | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| **At beginning of period** | **626** | **929** | **686** |
| Business combinations | **6** | (2) | 44 |
| Other changes in scope | **4** | - | - |
| Changes in working capital requirement | **160** | (190) | 200 |
| Translation differences and other movements | **(32)** | (111) | (1) |
| **At period end** | **764** | **626** | **929** |

Foreign-currency denominated debt is translated at the closing rate.

## NOTE 20. Risk management and derivatives

### 20.1. FINANCIAL INSTRUMENTS INCLUDED IN THE STATEMENT OF FINANCIAL POSITION

| | | Breakdown by type of instrument | | | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | 31/12/2010 Statement of financial position | Fair value through income | Assets held for sale | Loans & receivables | Liabilities at amortised cost | Derivatives |
| Investment securities | **34** | - | 34 | - | - | - |
| Other non-current financial assets | **52** | - | - | 52 | - | - |
| Other non-current assets | **5** | - | - | 5 | - | - |
| Trade receivables | **465** | - | - | 465 | - | - |
| Other current assets | **189** | - | - | 189 | - | - |
| Derivatives | **128** | - | - | - | - | 128 |
| Other current financial assets | **359** | - | 359 | - | - | - |
| Cash and cash equivalents | **1,227** | 1,227 | - | - | - | - |
| **Assets** | **2,459** | **1,227** | **393** | **711** | **-** | **128** |
| Borrowings – long-term portion | **203** | - | - | - | 203 | - |
| Other non-current liabilities | **34** | - | - | 34 | - | - |
| Borrowings – short-term portion | **88** | 26 | - | - | 62 | - |
| Trade payables | **408** | - | - | 408 | - | - |
| Other current liabilities | **477** | - | - | 477 | - | - |
| Derivatives | **71** | - | - | - | - | 71 |
| **Liabilities** | **1,281** | **26** | **-** | **919** | **265** | **71** |

| *(in millions of euros)* | 31/12/2009 Statement of financial position | Breakdown by type of instrument | | | | |
|---|---|---|---|---|---|---|
| | | Fair value through income | Assets held for sale | Loans & receivables | Liabilities at amortised cost | Derivatives |
| Investment securities | 50 | - | 50 | - | - | - |
| Other non-current financial assets | 50 | - | - | 50 | - | - |
| Other non-current assets | 5 | - | - | 5 | - | - |
| Trade receivables | 364 | - | - | 364 | - | - |
| Other current assets | 193 | - | - | 193 | - | - |
| Derivatives | 90 | - | - | - | - | 90 |
| Other current financial assets | 405 | - | 405 | - | - | - |
| Cash and cash equivalents | 812 | 812 | - | - | - | - |
| **Assets** | **1,969** | **812** | **455** | **612** | **-** | **90** |
| Borrowings – long-term portion | 199 | - | - | - | 199 | - |
| Other non-current liabilities | 36 | - | - | 36 | - | - |
| Borrowings – short-term portion | 72 | 31 | - | - | 41 | - |
| Trade payables | 352 | - | - | 352 | - | - |
| Other current liabilities | 312 | - | - | 312 | - | - |
| Derivatives | 26 | - | - | - | - | 26 |
| **Liabilities** | **997** | **31** | **-** | **700** | **240** | **26** |

| *(in millions of euros)* | 31/12/2008 Statement of financial position | Breakdown by type of instrument | | | | |
|---|---|---|---|---|---|---|
| | | Fair value through income | Assets held for sale | Loans & receivables | Liabilities at amortised cost | Derivatives |
| Investment securities | 74 | - | 74 | - | - | - |
| Other non-current financial assets | 63 | - | - | 63 | - | - |
| Other non-current assets | 6 | - | - | 6 | - | - |
| Trade receivables | 439 | - | - | 439 | - | - |
| Other current assets | 299 | - | - | 299 | - | - |
| Derivatives | 111 | - | - | - | - | 111 |
| Other current financial assets | 388 | - | 388 | - | - | - |
| Cash and cash equivalents | 944 | 944 | - | - | - | - |
| **Assets** | **2,324** | **944** | **462** | **807** | **-** | **111** |
| Borrowings – long-term portion | 92 | - | - | - | 92 | - |
| Other non-current liabilities | 22 | - | - | 22 | - | - |
| Borrowings – short-term portion | 107 | 46 | - | - | 61 | - |
| Trade payables | 465 | - | - | 465 | - | - |
| Other current liabilities | 729 | - | - | 729 | - | - |
| Derivatives | 158 | - | - | - | - | 158 |
| **Liabilities** | **1,573** | **46** | **-** | **1 216** | **153** | **158** |

No reclassification among categories of financial instruments was carried out during the period. Investments in associates and other current financial assets are recognised in the balance sheet at fair value (Note 1.11.1), except the shares in companies that are controlled but not consolidated, amounting to €34 million (Notes 1.11.1, 1.15 and 8). Other financial assets are measured at amortised cost calculated using the effective interest rate (EIR) (Note 1.11.2).

Borrowings are recognised at amortised cost calculated using the effective interest rate or EIR (Note 1.14). Securities and borrowings may, as appropriate, be interest-rate hedged and the portion linked to interest-rate changes is re-measured; their fair value is close to their value shown in the balance sheet, owing to their small amount and the hedges (Notes 18 and 20.4.2).

The fair value of trade receivables and trade payables is equal to the value shown in the balance sheet, since for the most part they fall due in less than one year (Notes 11 and 19).

Fair value of financial instruments broken down by fair-value category:

| *(in millions of euros)* | 31/12/2010 Balance sheet value | Breakdown by fair-value category | | |
|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 |
| Available-for sale assets | 359 | 359 | - | - |
| Derivatives | 128 | - | 128 | - |
| **Assets** | **487** | **359** | **128** | **-** |
| Derivatives | 71 | - | 71 | - |
| **Liabilities** | **71** | **-** | **71** | **-** |

| *(in millions of euros)* | 31/12/2009 Balance sheet value | Breakdown by fair-value category | | |
|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 |
| Available-for sale assets | 405 | 405 | - | - |
| Derivatives | 90 | - | 90 | - |
| **Assets** | **495** | **405** | **90** | **-** |
| Derivatives | 26 | - | 26 | - |
| **Liabilities** | **26** | **-** | **26** | **-** |

| *(in millions of euros)* | 31/12/2008 Balance sheet value | Breakdown by fair-value category | | |
|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 |
| Available-for sale assets | 388 | 388 | - | - |
| Derivatives | 111 | - | 111 | - |
| **Assets** | **499** | **388** | **111** | **-** |
| Derivatives | 158 | - | 158 | - |
| **Liabilities** | **158** | **-** | **158** | **-** |

## 20.2. EFFECTS OF FINANCIAL INSTRUMENTS ON THE INCOME STATEMENT

| (in millions of euros) | FY 2010 Effects on profit (loss) | Financial income and (expenses) | Fair value | Currency translation adjustments | Profit (loss) | Net impairment |
|---|---|---|---|---|---|---|
| Investment securities | (2) | 2 | - | - | (4) | - |
| Other financial assets | - | (3) | - | - | - | 3 |
| Derivatives | 9 | - | 9 | - | - | - |
| Cash/net financial liabilities | 3 | (1) | - | 1 | 3 | - |
| **Total** | **10** | **(2)** | **9** | **1** | **(1)** | **3** |

| (in millions of euros) | FY 2009 Effects on profit (loss) | Financial income and (expenses) | Fair value | Currency translation adjustments | Profit (loss) | Net impairment |
|---|---|---|---|---|---|---|
| Investment securities | (1) | 2 | - | - | 1 | (4) |
| Other financial assets | (11) | 5 | - | - | - | (16) |
| Derivatives | (2) | - | (2) | - | - | - |
| Cash/net financial liabilities | 15 | 7 | 8 | (3) | 3 | - |
| **Total** | **1** | **14** | **6** | **(3)** | **4** | **(20)** |

| (in millions of euros) | FY 2008 Effects on profit (loss) | Financial income and (expenses) | Fair value | Currency translation adjustments | Profit (loss) | Net impairment |
|---|---|---|---|---|---|---|
| Investment securities | 4 | 5 | - | - | 1 | (2) |
| Other financial assets | 4 | 4 | - | - | - | - |
| Derivatives | (63) | - | (63) | - | - | - |
| Cash/net financial liabilities | 28 | 36 | (12) | (2) | 6 | - |
| **Total** | **(27)** | **45** | **(75)** | **(2)** | **7** | **(2)** |

The financial income on investments in associates came from dividends. The gains or losses on currency and commodity hedges are for the most part recognised in current operating profit (loss) (Note 1.24). The portion ineligible for hedging pursuant to IAS 39 is recognised in Other financial income and expenses (Notes 1.25 and 24.2).

Breakdown of hedges – assets:

| *(in millions of euros)* | 31/12/2010 | 31/12/2009 | 31/12/2008 |
|---|---|---|---|
| Financial instrument assets [3] | 53 | 28 | 60 |
| Financial instruments – currency hedges | 24 | 39 | 19 |
| Financial instruments – interest-rate hedges | - | - | - |
| Financial instruments – commodity hedges | 51 | 23 | 32 |
| **Total** | **128** | **90** | **111** |

| *(in millions of euros)* | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| **FY at 1 January** | 90 | **111** | **129** |
| Business combinations | - | - | 11 |
| Changes in hedging instruments for the period – shareholders' equity [1] | (24) | 14 | (43) |
| Changes in hedging instruments for the period – financial gain/loss [2] | 37 | 3 | (18) |
| Changes in financial instrument assets [3] | 25 | (38) | 32 |
| **At period end** | 128 | **90** | **111** |

Breakdown of hedges – liabilities:

| *(in millions of euros)* | 31/12/2010 | 31/12/2009 | 31/12/2008 |
|---|---|---|---|
| Financial instrument liabilities [3] | 15 | 2 | 6 |
| Financial instruments – currency hedges | 5 | 9 | 83 |
| Financial instruments – interest-rate hedges | 7 | 10 | 9 |
| Financial instruments – commodity hedges | 44 | 5 | 60 |
| **Total** | **71** | **26** | **158** |

| *(in millions of euros)* | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| **FY at 1 January** | 26 | **158** | **81** |
| Business combinations | - | - | - |
| Changes in hedging instruments for the period – shareholders' equity [1] | (8) | (124) | 65 |
| Changes in hedging instruments for the period – financial gain/loss [2] | 40 | (10) | 8 |
| Changes in financial instrument liabilities [3] | 13 | 2 | 4 |
| **At period end** | 71 | **26** | **158** |

*(1) The impact corresponds to the effective portion of the change in fair value of derivative instruments used to hedge foreign currency, interest rates and commodities risks.*

*(2) The impact corresponds to the non-effective portion of the change in fair value of derivative instruments used to hedge foreign currency, interest rates and commodities risks.*

*(3) Foreign currency receivables and debts are translated at the hedging rate and the difference between the closing rate and this hedging rate is recognised under "Financial instrument assets and liabilities".*

## 20.3. RISK MANAGEMENT

The Group uses derivative financial instruments to control its exposure to foreign-exchange, interest-rate and commodity risks. The Executive Committee delegated management of the main risks to the ERAMET Group Finance Department. This management is carried out directly by ERAMET or *via* special purpose entities such as Metal Currencies, created specifically to manage the Group's foreign currency risk (Notes 1.5 and 2).

### 20.3.1. FOREIGN CURRENCY RISKS

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

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

The Group centralises the subsidiaries' foreign-exchange risk. Each Group company reports to Group Treasury its exposure in currencies other than its functional currency. This management scheme is part of a multiyear policy with procedures approved by the Executive Committee, and monthly reporting to its members. The Group manages the foreign currency risk to the balance sheet for each case individually.

**Transactional risks:** currency hedging primarily involves the US dollar but also includes the Norwegian Krone, the pound sterling and the Swedish Krona. These hedges are designed to protect the Group's structurally long present and future positions on trading transactions, more than 50% of which are invoiced in foreign currencies, whereas production costs are for the most part denominated in euros. Since 2007, transactions have been carried out *via* the special purpose entity, Metal Currencies. The subsidiaries in question determine the amount of their net exposure based on multiyear forecasts and budgets. The associated risks are then hedged within a maximum horizon of thirty-six months if the amount is greater than €2 million or the equivalent thereof per currency, unless exemptions apply. The Group uses various instruments to hedge its foreign currency exposure: forwards/futures and options.

**Balance sheet risks:** ERAMET manages foreign currency risks to the balance sheet, primarily related to the US dollar, by issuing financial liabilities denominated in the same currency as the net assets in question, or *via* currency swaps.

ERAMET also uses a foreign-currency swap, with a nominal amount of US$232 million, to hedge the foreign currency risk on the conversion of the net assets of Weda Bay Minerals Inc., denominated in US dollars.

In 2008, the Group became the majority shareholder in the Norwegian companies Eralloys Holding A/S and Tinfos A/S with the acquisition of a 55.78% interest. The Group used its surplus cash to finance the cash portion of this acquisition denominated in Norwegian Krone. The exposure of this transaction to foreign currency risk was hedged, and the hedge unwound in 2008 at its settlement.

The breakdown of the hedging portfolio by currency is shown below:

### As at 31 December 2010

| | 2010 sales | | | 2011 sales | | | Sales, 2012 and beyond | | |
|---|---|---|---|---|---|---|---|---|---|
| *(foreign currency units million)* | Amounts | Currency | Rate | Amounts | Currency | Rate | Amounts | Currency | Rate |
| **Commercial hedges** | | | | | | | | | |
| EUR/USD | 329 | USD | 1.36 | 1,018 | USD | 1.32 | 253 | USD | 1.25 – 1.39 |
| EUR/NOK | 12 | EUR | 8.28 | 112 | EUR | 8.36 | 20 | EUR | 8.36 – 8.49 |
| EUR/GBP | - | - | - | 4 | GBP | 0.85 | - | - | - |
| GBP/USD | 1 | USD | 1.56 | - | - | - | - | - | - |
| GBP/SEK | 2 | GBP | 10.79 | - | - | - | - | - | - |
| JPY/SEK | 57 | JPY | 0.08 | - | - | - | - | - | - |
| EUR/SEK | 12 | EUR | 9.14 | - | - | - | - | - | - |
| USD/SEK | 25 | USD | 7.13 | - | - | - | - | - | - |
| EUR/JPY | 69 | JPY | 121.70 | - | - | - | - | - | - |
| **Other hedges** | | | | | | | | | |
| | 284 | USD | 1.35 | | | | | | |
| EUR/USD | (5) | EUR | 1.50 | | | | | | |
| EUR/SEK | (22) | EUR | 9.83 | | | | | | |
| EUR/NOK | 1,736 | NOK | 8.22 | | | | | | |
| EUR/GBP | 23 | GBP | 0.89 | | | | | | |
| USD/CNY | 344 | CNY | 6.53 | | | | | | |

### As at 31 December 2009

| | 2009 sales | | | 2010 sales | | | Sales, 2011 and beyond | | |
|---|---|---|---|---|---|---|---|---|---|
| *(foreign currency units million)* | Amounts | Currency | Rate | Amounts | Currency | Rate | Amounts | Currency | Rate |
| **Commercial hedges** | | | | | | | | | |
| EUR/USD | 223 | USD | 1.4333 | 718 | USD | 1.3675 | 38 | USD | 1.3459 |
| EUR/NOK | 8 | EUR | 8.70 | 89 | EUR | 8.7919 | 30 | EUR | 9.08 |
| EUR/GBP | - | GBP | 0.902 | 1 | GBP | 0.904 | - | - | - |
| GBP/USD | - | USD | 1.8501 | - | - | - | - | - | - |
| GBP/SEK | 2 | GBP | 12.0744 | - | - | - | - | - | - |
| JPY/SEK | 46 | JPY | 0.0759 | - | - | - | - | - | - |
| EUR/SEK | 1 | EUR | 9.2338 | - | - | - | - | - | - |
| USD/SEK | 10 | USD | 7.1231 | - | - | - | - | - | - |
| EUR/JPY | 69 | JPY | 136.38830 | 95 | JPY | 129.02 | - | - | - |
| **Other hedges** | | | | | | | | | |
| | 246 | USD | 1.4578 | | | | | | |
| EUR/USD | 5 | EUR | 1.502 | | | | | | |
| EUR/SEK | 14 | EUR | 10.48 | | | | | | |
| | 824 | NOK | 8.9001 | | | | | | |
| EUR/NOK | 740 | NOK | 9.0498 | | | | | | |
| EUR/GBP | 5 | GBP | 0.9176 | | | | | | |

### As at 31 December 2008

| | 2008 sales | | | 2009 sales | | | Sales, 2010 and beyond | | |
|---|---|---|---|---|---|---|---|---|---|
| *(foreign currency units million)* | Amounts | Currency | Rate | Amounts | Currency | Rate | Amounts | Currency | Rate |
| **Commercial hedges** | | | | | | | | | |
| | 693 | USD | 1.43920 | 946 | USD | 1.40 | 505 | USD | 1.34 |
| EUR/USD | (459) | USD | 1.29820 | (49) | USD | 1.32 | - | - | - |
| EUR/NOK | 15 | EUR | 7.99690 | 144 | EUR | 8.03 | 38 | EUR | 8.55 |
| EUR/GBP | (1) | GBP | 0.80522 | 2 | GBP | 0.79 | - | - | - |
| GBP/USD | 2 | USD | 1.72265 | 4 | USD | 1.90 | - | - | - |
| GBP/SEK | 2 | GBP | 12.51500 | 2 | GBP | 12.00 | - | - | - |
| JPY/SEK | 36 | JPY | 0.07840 | 60 | JPY | 0.06 | - | - | - |
| EUR/SEK | (14) | EUR | 11.26799 | 6 | EUR | 9.52 | - | - | - |
| USD/SEK | 18 | USD | 7.39711 | 8 | USD | 7.41 | - | - | - |
| EUR/JPY | 523 | JPY | 141.87847 | 620 | JPY | 141.40 | - | - | - |
| **Other hedges** | | | | | | | | | |
| EUR/USD | 268 | USD | 1.4202 | | | | | | |

At 31 December 2010, the fair value of currency hedges covering transactional risks represented a €19 million liability (31 December 2009: a €30 million net asset).

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

- the monthly exchange rate applied to recognise sales and receipts/purchases and payments; and
- the contractual settlement rate for hedges,

are recognised by each company under current operating profit (loss) on sales (under "Translation adjustments on sales" – Note 21.2) or purchases (under "Cost of goods sold").

A change of plus or minus 10% in the rates of the principal currencies to which ERAMET is exposed would have a pre-tax impact on the hedges recognised in equity of -€90 million should exchange rates rise and approximately +€112 million should those rates fall. The impact on income of a change of this order would be of some -€28 million and +€3 million respectively.

The notional amount of currency hedging contracts breaks down as follows:

## As at 31 December 2010

| *(foreign currency units million)* | FY 2010 Forward/future sales | Forward/future purchases | Call options | Put options * |
|---|---|---|---|---|
| **Currency vs. EUR** | | | | |
| • USD * | 1,048 | 73 | 1,001 | 1,058 |
| • JPY | 69 | - | - | - |
| • GBP | 26 | 4 | 2 | 4 |
| • NOK | 343 | 1,393 | - | - |
| **Currency vs. NOK** | | | | |
| • EUR | 81 | - | 85 | 62 |
| **Currency vs. SEK** | | | | |
| • JPY | 57 | - | - | - |
| • GBP | 2 | - | - | - |
| • USD | 21 | 3 | 8 | 7 |
| • EUR | - | 34 | - | - |
| **Currency vs. USD** | | | | |
| • EUR | - | 5 | - | - |
| • CNY | - | 344 | - | |

** Of which €155 million in exotic put options.*

## As at 31 December 2009

| *(foreign currency units million)* | FY 2009 Forward/future sales | Forward/future purchases | Call options | Put options |
|---|---|---|---|---|
| **Currency vs. EUR** | | | | |
| • USD | 888 | 62 | 670 | 408 |
| • JPY | 128 | 14 | 85 | 50 |
| • GBP | 7 | 1 | 1 | 1 |
| • NOK | 3 | 1,568 | - | - |
| **Currency vs. NOK** | | | | |
| • EUR | 39 | - | 88 | 88 |
| **Currency vs. SEK** | | | | |
| • JPY | 46 | - | - | - |
| • GBP | 2 | - | - | - |
| • USD | 10 | - | - | - |
| • EUR | 5 | 21 | - | - |
| **Currency vs. USD** | | | | |
| • EUR | - | 5 | - | - |

### As at 31 December 2008

| *(foreign currency units million)* | FY 2008 Forward/future sales | Forward/future purchases | Call options | Put options |
|---|---|---|---|---|
| **Currency vs. EUR** | | | | |
| • USD | 1,580 | 509 | 2,472 | 1,582 |
| • JPY | 828 | - | 315 | 520 |
| • GBP | 3 | 1 | 2 | 4 |
| **Currency vs. NOK** | | | | |
| • EUR | 79 | - | 117 | 117 |
| **Currency vs. SEK** | | | | |
| • JPY | 66 | - | 60 | 30 |
| • GBP | 3 | - | 2 | 1 |
| • USD | 19 | - | 8 | 7 |
| • EUR | 9 | 21 | 5 | 3 |
| **Currency vs. GBP** | | | | |
| • USD | 3 | - | 3 | 2 |

The pre-tax impact on shareholders' equity and earnings of financial instruments hedging foreign currency risks is shown below:

| | Currency hedges | | | | | |
|---|---|---|---|---|---|---|
| | FY 2010 | | FY 2009 | | FY 2008 | |
| *(in millions of euros)* | Transaction risks | Balance-sheet risks | Transaction risks | Balance-sheet risks | Transaction risks | Balance-sheet risks |
| **FY at 1 January** | **56** | **(32)** | **(10)** | **(132)** | **95** | **(30)** |
| Change in unexpired hedging portion [(1)] | **15** | **-** | 57 | - | (40) | - |
| Change in ineffective portion via income [(2)] | **-** | **-** | 12 | - | (13) | - |
| Change in effective portion via income [(3)] | **(14)** | **-** | (3) | - | (52) | - |
| Translation differences and other movements | **-** | **56** | - | 100 | - | (102) |
| **At period end** | **57** | **24** | **56** | **(32)** | **(10)** | **(132)** |
| Changes recognised in shareholders' equity: | | | | | | |
| • Fair value reserve | **-** | **-** | - | - | - | - |
| • Hedging reserve | **1** | **-** | 54 | - | (92) | - |
| • Translation adjustments | **-** | **56** | - | 100 | - | (102) |
| **Total** | **1** | **56** | **54** | **100** | **(92)** | **(102)** |
| Changes recognised via income: | | | | | | |
| • Current operating profit | **14** | **-** | 3 | - | 52 | - |
| • Net financial income | **-** | **-** | 12 | - | (13) | - |
| **Total** | **14** | **-** | **15** | **-** | **39** | **-** |

*(1) The impact corresponds to the change in fair value of the new currency instruments hedging future flows and the currency instruments hedging future flows that were contracted during the financial year and were still outstanding at the year-end.*

*(2) The impact corresponds to the change in fair value of currency hedging instruments settled during the financial year (including option premiums).*

*(3) The impact on financial income corresponds to the fair value of currency instruments ineligible as hedges.*

### 20.3.2. INTEREST RATE RISKS

The Group looks at its debt position and market trends when deciding whether to hedge for interest rates. The Group's Treasury Department is responsible for setting up hedges.

At 31 December 2010, the Group had no interest rate hedges in place on its gross debt.

The cash surpluses managed by Metal Securities are invested in:

- variable-rate instruments linked to the EONIA (Euro OverNight Index Average) or EURIBOR (Euro InterBank Offered Rate) rates;
- fixed-rate instruments swapped against the EURIBOR.

These instruments are classified among Other current financial assets (Note 12.1) and are hedged using interest rate futures (fixed rates against floating rates). Other cash surpluses generated by Metal Securities are primarily invested in variable-rate instruments linked to the EONIA (Euro OverNight Index Average) rate (Note 12.2).

The Group's surplus cash is invested short-term, and its exposure to a 10 basis point decline in interest rates would have an approximately €1 million negative pre-tax impact on the net borrowing cost.

The pre-tax impact on shareholders' equity and earnings attributable to financial instruments hedging interest rate risks is shown below:

| | Interest rate hedges | | |
|---|---|---|---|
| *(in millions of euros)* | FY 2010 | FY 2009 | FY 2008 |
| **FY at 1 January** | **(10)** | **(9)** | **-** |
| Change in unexpired hedging portion (1) | (3) | (6) | (9) |
| Change in ineffective portion via income (2) | - | - | - |
| Change in effective portion via income (3) | 6 | 5 | - |
| Translation differences and other movements | - | - | - |
| **At period end** | **(7)** | **(10)** | **(9)** |
| Changes recognised in shareholders' equity: | | | |
| • Fair value reserve | - | - | - |
| • Hedging reserve | 3 | (1) | (9) |
| • Translation adjustments | - | - | - |
| **Total** | **3** | **(1)** | **(9)** |
| Changes recognised via income: | | | |
| • Current operating profit | - | - | - |
| • Net financial income | (6) | (5) | - |
| **Total** | **(6)** | **(5)** | **-** |

*(1) The impact corresponds to the change in fair value of the new interest-rate instruments hedging future flows and the interest-rate instruments hedging future flows that were contracted during the financial year and were still outstanding at the year-end.*

*(2) The impact corresponds to the change in fair value of currency hedging instruments settled during the financial year (including option premiums).*

*(3) The impact on financial income corresponds to the fair value of interest-rate instruments ineligible as hedges.*

### 20.3.3. COMMODITY RISKS

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

The main Group entities involved are:

- ERAMET, Le Nickel-SLN and Aubert & Duval for nickel;
- Le Nickel-SLN for fuel oil;
- Aubert & Duval for aluminium;
- Erasteel Kloster AB and ERAMET Norway Kvinesdal A/S for electricity.

The exposure to manganese and coke are not hedged since there is no organised (over the counter) market for these commodities.

Hedges are put in place with a horizon of 1 to 4 years, depending on the commodities and on the basis of the budget. Only a portion of planned consumption or production is hedged (as an example, for fuel oil, an average 50% and a maximum 80% of the budget is hedged). The Group uses various instruments to hedge and limit its exposure: futures and options.

At 31 December 2010, the fair value of hedges put in place for the various commodities breaks down as follows:

- €4 million liability for Nicol (€14 million asset at 31 December 2009);
- €5 million asset for fuel oil (€5 million asset at 31 December 2009);
- no impact for aluminium (€2 million asset at 31 December 2009);
- €6 million asset for electricity (€3 million liability at 31 December 2009).

The main commodities contracts outstanding are represented as follows:

### As at 31 December 2010

| | FY 2010 | | |
|---|---|---|---|
| *(in tonnes)* | Swaps | Call options | Put options |
| Nickel | 1,224 | 4,740 | 6,450 |
| Fuel oil | 189,755 | 63,208 | 48,583 |

Leaving out of account on 2,500 tonnes maturing in 2012 and exercisable by the counterparty, where applicable, in November 2011; the fair value of this item was €600 thousands at 31 December 2010.

### As at 31 December 2009

| | FY 2009 | | |
|---|---|---|---|
| *(in tonnes)* | Swaps | Call options | Swaps |
| Nickel | 857 | 2,257 | 2,257 |
| Fuel oil | 98,582 | 236,191 | 178,691 |

Leaving out of account options on 4,560 tonnes maturing in 2011 and exercisable by the counterparty, where applicable, in November 2010; the fair value of this item was nil at 31 December 2009.

### As at 31 December 2008

| | FY 2008 | | |
|---|---|---|---|
| *(in tonnes)* | Swaps | Call options | Swaps |
| Nickel | 177 | 4,500 | 4,500 |
| Fuel oil | 131,491 | 292,502 | 274,001 |

The pre-tax impact on shareholders' equity and earnings of financial instruments relating to commodity risks is shown below:

| | Raw-materials and energy risks | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | FY 2010 | | | | FY 2009 | | | | FY 2008 | | | |
| *(in millions of euros)* | Nickel | Fuel oil | Aluminium | Electricity | Nickel | Fuel oil | Aluminium | Electricity | Nickel | Fuel oil | Aluminium | Electricity |
| **FY at 1 January** | 14 | 5 | 2 | (3) | 32 | (55) | (1) | (4) | (50) | 4 | (1) | - |
| Change in unexpired hedging portion [(1)] | 5 | - | (2) | 6 | 9 | 29 | 3 | (1) | 38 | (52) | (1) | (4) |
| Change in ineffective portion via income [(2)] | (5) | - | - | 2 | (2) | 5 | - | (2) | (5) | (7) | - | - |
| Change in effective portion via income [(3)] | (4) | - | - | 1 | (24) | 26 | - | 4 | 49 | - | 1 | (4) |
| Translation differences and other movements | (14) | - | - | - | (1) | - | - | - | - | - | - | 4 |
| **At period end** | (4) | 5 | - | 6 | 14 | 5 | 2 | (3) | 32 | (55) | (1) | (4) |
| Changes recognised in shareholders' equity: | | | | | | | | | | | | |
| • Fair value reserve | - | - | - | - | - | - | - | - | - | - | - | - |
| • Hedging reserve | (13) | - | (2) | 7 | (15) | 55 | 3 | 3 | 87 | (52) | - | (4) |
| • Translation reserve | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | (13) | - | (2) | 7 | (15) | 55 | 3 | 3 | 87 | (52) | - | (4) |
| Changes recognised via income: | | | | | | | | | | | | |
| • Current operating profit | 4 | - | - | (1) | 24 | (26) | - | (4) | (49) | - | (1) | 4 |
| • Net financial income | (5) | - | - | 2 | (2) | 5 | - | (2) | (5) | (7) | - | - |
| **Total** | (1) | - | - | 1 | 22 | (21) | - | (6) | (54) | (7) | (1) | 4 |

*(1) The impact corresponds to the change in fair value of the new commodity instruments hedging future flows and the commodity instruments hedging future flows that were contracted during the financial year and were still outstanding at the year-end.*

*(2) The impact corresponds to the change in fair value of commodity hedging instruments settled during the financial year (including option premiums).*

*(3) The impact on financial income corresponds to the fair value of commodity instruments ineligible as hedges.*

A change of plus or minus 20% in commodity prices would have the following summarised pre-tax impact on the hedges charged to shareholders' equity:

| *(in millions of euros)* | Nickel | Fuel oil | Aluminium | Electricity |
|---|---|---|---|---|
| +20% change in price | (4) | 19 | n/s | n/s |
| - 20% change in price | 8 | (16) | n/s | n/s |

A change of plus or minus 10% in nickel prices would impact sales for the 2010 financial year by plus or minus US$106 million (€80 million).

### 20.3.4. LIQUIDITY RISKS

The Group is not exposed to liquidity risks because of its clearly positive net cash position. Cash surpluses are mostly transferred to Metal Securities, the Group's special purpose entity responsible for pooling and investing Group cash surpluses. In addition, the Group has two additional sources of financing, as required, from a revolving credit facility and the issue of commercial paper.

**Revolving credit facilities:** in 2005, ERAMET entered with a select group of banks into a five-year agreement for a €600 million multi-currency revolving credit facility, with the option of extending it to seven years. In accordance with the terms of the facility, the Group twice requested a one-year extension of the facility by the lenders, in 2006 and 2007. The expiry of this credit line has thus been postponed to 24 May 2012. This credit line is intended to finance operations and investment in assets and was entered-into on terms congruent with market conditions at the time of its signature. This credit line contains a single covenant (Note 18 – Borrowings and the "Covenants" item below). On 18 January 2011, ERAMET has renewed its credit facility to €800 million maturing in 2016.

**Commercial paper:** in 2005, ERAMET set up a €400 million commercial paper programme.

**Repos:** on 20 December 2010, ERAMET renewed its commitment to set up a repo programme. The drawdown amount is €234 million, with a renewable three-month maturity; this line is confirmed. No amount was used at 31 December 2010.

The cash surplus on both 31 December 2009 and 31 December 2010 meant that the revolving credit facility the commercial paper programme and the repo programme were unused.

In addition, while its net cash position is clearly positive, the Group is liable to repay its borrowings, primarily comprising finance leases and bank borrowings following the acquisition in early August 2008 of the Norwegian companies Eralloys Holding A/S and Tinfos A/S (Note 18), its other liabilities and derivatives for all of which, the maturity schedule is set out below:

| | | Future payment schedule | | | |
|---|---|---|---|---|---|
| *(in millions of euros)* | Statement of financial position | Less than one year | One year to five years | More than five years | Total |
| Bank loans | 125 | 31 | 103 | 2 | 136 |
| Bank overdrafts and creditor banks | 26 | 26 | - | - | 26 |
| Finance leases | 41 | 6 | 24 | 14 | 44 |
| Other borrowings and financial liabilities | 99 | 33 | 49 | 31 | 113 |
| **Total borrowings** | **291** | **96** | **176** | **47** | **319** |
| Derivatives | 71 | 47 | 15 | 1 | 63 |
| Trade and other payables | 764 | 731 | 24 | 11 | 766 |
| Current tax liabilities | 74 | 74 | - | - | 74 |
| **Total other financial liabilities** | **909** | **852** | **39** | **12** | **903** |

The Schedule of future receipts on financial assets is set out below:

| (in millions of euros) | Statement of financial position | Future receipts schedule: Less than one year | One year to five years | More than five years | Total |
|---|---|---|---|---|---|
| Other current financial assets | 359 | 370 | - | - | 370 |
| Cash and cash equivalents | 1,227 | 1,237 | - | - | 1,237 |
| **Total cash and cash equivalents** | **1,586** | **1,607** | **-** | **-** | **1,607** |
| Derivatives | 128 | 108 | 18 | 1 | 127 |
| Trade and other receivables | 647 | 642 | 2 | 3 | 647 |
| Current tax receivables | 12 | 12 | - | - | 12 |
| **Total other financial assets** | **787** | **762** | **20** | **4** | **786** |

Where appropriate, financial liabilities are covered by banking covenants at Group level or locally; the main characteristics of those covenants are described below:

| Company | Type of credit line | | Ratio | Amounts |
|---|---|---|---|---|
| ERAMET | Revolving credit line | Net borrowings/ Shareholders' equity | < 1 | €600m |

At 31 December 2010, all these covenants were fulfilled.

## 20.3.5. CREDIT OR COUNTERPARTY RISKS

The Group is exposed to several types of counterparty risk: they arise from its customers and financial partners because of its cash surpluses invested with the Group's specialist entity Metal Securities.

The Group has several means to limit this risk: gathering information ahead of transactions (from rating agencies, published financial statements, etc.), credit insurance and the putting in place of letters of credit and documentary credits. Specifically for trade receivables, there is a credit manager for each Group Division.

The age of the Group's trade receivables and overdue receivables is shown below:

| (in millions of euros) | 31/12/2010 Gross amount | 31/12/2010 Impairment loss | 31/12/2009 Gross amount | 31/12/2009 Impairment loss | 31/12/2008 Gross amount | 31/12/2008 Impairment loss |
|---|---|---|---|---|---|---|
| Paid at maturity or not due | 393 | - | 252 | (1) | 261 | (1) |
| Overdue: | | | | | | |
| • less than a month | 62 | (1) | 73 | (1) | 84 | (1) |
| • one to three months | 12 | (1) | 38 | (2) | 90 | (1) |
| • three to six months | 1 | (1) | 6 | (1) | 9 | (3) |
| • six to nine months | - | - | 2 | (2) | 3 | (3) |
| • nine to twelve months | - | - | 1 | (1) | 2 | (2) |
| • over a year | 2 | (2) | 28 | (28) | 23 | (22) |

No material unpaid or impaired receivables have been renegotiated.

## 20.3.6. EQUITY RISKS

ERAMET and its subsidiaries do not speculate in the stock markets; the equities held relate to unlisted controlled companies entirely related to the Group's activities (Note 7). At 31 December 2010, ERAMET held 103,851 treasury shares (81,732 shares at 31 December 2009), representing an investment recognised as a €14 million reduction in shareholders' equity (€9 million at 31 December 2009) (Note 13). ERAMET's shares have been traded on the Euronext Paris Deferred Settlement System (SRD) since 28 March 2006, and since 2 July 2007 it has been included in the N150 index. There is thus a risk related to the volatility of its share price should that price be lower than the net carrying amount. For Information, at 31 December 2010, there was an unrealised capital gain on the Company's treasury shares of €13 million (unrealised capital gain of €9 million at 31 December 2009), reckoning by those shares' market value.

# NOTE 21. Sales and other income

## 21.1. SALES

| *(in millions of euros)* | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| Sales of goods | 3,480 | 2,580 | 4,216 |
| Sales of services | 96 | 109 | 130 |
| **Total** | **3,576** | **2,689** | **4,346** |

2010 consolidated sales amounted to €3,576 million compared to €2,689 million in 2009, a rise of 33%, taking into account a €97 million positive impact from foreign currency gains.

## 21.2. OTHER INCOME

| *(in millions of euros)* | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| Translation adjustments on sales | 11 | (54) | 92 |
| Other | 20 | 19 | 15 |
| **Total** | **31** | **(35)** | **107** |

The "Translation adjustments on sales" item includes the differences between the monthly exchange rate used to recognise sales and the monthly exchange rate used to recognise receipts as well as the differences between the contractual exchange rate for settling hedge (or guaranteed rate) positions and the monthly exchange rate used to recognise receipts.

# NOTE 22. Depreciation, amortisation and provisions

## 22.1. DEPRECIATION AND AMORTISATION OF AND PROVISIONS FOR NON-CURRENT ASSETS

| *(in millions of euros)* | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| Intangible assets | (8) | (8) | (8) |
| Property, plant and equipment | (207) | (192) | (178) |
| Intangible assets – acquisition price allocation | (8) | (8) | - |
| PP&E – acquisition price allocation | (2) | (2) | - |
| **Total** | **(225)** | **(210)** | **(186)** |

Depreciation and amortisation for the financial year included a charge of €10 million relating to the recognition under non-current assets of the acquisition price of Eralloys Holding A/S.

## 22.2. PROVISIONS

| *(in millions of euros)* | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| Pension and related liabilities | (8) | (11) | (5) |
| Other payroll contingencies and losses | 1 | 1 | - |
| Environmental contingencies | (1) | 1 | (1) |
| Site restoration | 3 | 1 | (1) |
| Other contingencies and losses | (2) | (4) | 9 |
| **Total** | **(7)** | **(12)** | **2** |

# NOTE 23. Other operating income and expenses

| (in millions of euros) | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| Gains (losses) on asset disposals | 1 | - | 1 |
| Restructuring and redundancy plans | (18) | (2) | (1) |
| Losses on impairment tests | 11 | (51) | (48) |
| Site restoration | - | - | (3) |
| Other items – income * | 12 | 6 | 15 |
| Other items – expenses * | (25) | (57) | (42) |
| * of which: | | | |
| • Namibia development project | - | (23) | - |
| • Employee benefits | 9 | (8) | (15) |
| • Gabon development projects (Niobium…) | (6) | (6) | (7) |
| • other development projects | (8) | (8) | 2 |
| • disputes with suppliers and third parties | (5) | (7) | 8 |
| • securities acquisition costs | (1) | - | - |
| • inventories adjustment on Tinfos acquisition | - | - | (16) |
| **Total** | **(19)** | **(104)** | **(78)** |

**Losses on impairment tests:** in 2008, in the US, the Manganese Division recognised impairment losses of €31 million and €4 million respectively on the assets of the catalyst recycling and "Special Products" business lines after an impairment test was performed (Notes 5 and 6). The goodwill recognised on the acquisition of the shares in the Gabonese company Port Minéralier d'Owendo SA (Manganese Division) was impaired for €5 million (Notes 3 and 6) in 2008 and 2009. An additional impairment loss of €7 million was recognised on unused assets in the Nickel Division in New Caledonia (Notes 5 and 6). In 2009, an impairment test was carried out on the "High-speed steel" business of Erasteel (Alloys Division) and an exceptional impairment loss of €47 million was recognised on the non-current assets (Notes 3, 4, 5 and 6). In 2010, in view of both the appreciable recovery in the activity and the business reorganisation measures instituted, a reversal of €10 million was recognised.

**Restructuring and redundancy plans:** in 2010, additional provisions of €10 million were recognised in the Manganese and Alloys Divisions.

# NOTE 24. Net borrowing cost and other financial items

## 24.1. NET BORROWING COST

| (in millions of euros) | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| Interest income | 15 | 22 | 47 |
| Interest expense | (16) | (15) | (11) |
| Net income on marketable securities | 3 | 3 | 6 |
| Changes in fair value of marketable securities | - | 4 | (6) |
| Net translation adjustments | 1 | (3) | (2) |
| Other | - | - | - |
| **Total** | **3** | **11** | **34** |

## 24.2. OTHER FINANCIAL INCOME AND EXPENSES

| *(in millions of euros)* | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| Investment and dividend income | **2** | 2 | 5 |
| Gains on the disposal of investments in associates | **(4)** | 1 | - |
| Increases in/reversals of financial provisions | **3** | (6) | (1) |
| Net translation adjustments | **-** | - | - |
| Accretion expenses | **(10)** | (9) | (10) |
| Financial instruments ineligible as hedges | **(3)** | 13 | (26) |
| Securitisation financial expenses | **(2)** | (2) | (6) |
| Other | **(1)** | (11) | (37) |
| **Total** | **(15)** | **(12)** | **(75)** |

Accretion expenses relate to provisions for mining site restoration (Note 16.4). The financial instruments that do not qualify as hedges correspond to the portion of hedging instruments (currencies/commodities/interest rates) recognised in income pursuant to IAS 32 and 39 (Note 20).

In 2008, other items included the effects of cancelling currency hedges following the downward revision of sales budgets with recognition of a €55 million loss, and trading transactions for which a gain of €20 million was recognised. In 2009, the cancellation of hedges with a loss of €7 million break down into €5 million in currency hedge losses and €2 million in electricity hedge losses.

# NOTE 25. **Income tax**

## 25.1. BY CATEGORY

| *(in millions of euros)* | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| Current tax | **(172)** | (53) | (332) |
| Deferred tax | **(83)** | 60 | (15) |
| **Total** | **(255)** | **7** | **(347)** |

## 25.2. EFFECTIVE TAX RATE

| *(in millions of euros)* | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| Operating profit (loss) | 720 | (267) | 1 243 |
| Net borrowing costs | 3 | 11 | 34 |
| Other financial income and expenses | (15) | (12) | (75) |
| **Pre-tax profit (loss) for period of consolidated companies** | **708** | **(268)** | **1 202** |
| Standard tax rate in France (%) | 33.33% | 33.33% | 33.33% |
| **Theoretical tax expense** | **(236)** | **89** | **(401)** |
| Impact on theoretical tax of: | | | |
| • permanent differences between accounting and taxable profit | 16 | (17) | 21 |
| • additional levies in France | - | - | (1) |
| • standard tax differences in foreign countries | 4 | (14) | 7 |
| • reduced tax rates | 4 | 4 | 6 |
| • tax credits | 7 | 2 | 3 |
| • withholding tax on dividends | (51) | (10) | (7) |
| • unrecognised or limited deferred tax assets | 5 | (17) | 16 |
| • tax audits | - | (36) | - |
| • miscellaneous items | (4) | 6 | 9 |
| **Actual tax charge** | **(255)** | **7** | **(347)** |
| **Effective tax rate** | **36%** | **3%** | **29%** |

The current income tax rate applicable in France is 33.33%, excluding an additional social security contribution of 3.3%, recognised under “Additional contributions in France”. The overall tax rate in France is therefore 34.43%.

Permanent differences are primarily represented by the portion of the provision for reconstituting mining reserves in New Caledonia and Gabon definitively allocated to investments, and in 2009, by the impairment of the “High-speed steel” assets not eligible for tax relief (Notes 6 and 23).

The “Standard tax differences in foreign countries” relates to the impact of the current income tax rate applicable in the foreign countries where Group subsidiaries are located. The main rates are shown below:

| *(%)* | FY 2010 |
|---|---|
| Sweden | 26.3% |
| Norway | 28% |
| US | 35% |
| New Caledonia | 35% |
| Gabon | 35% |
| China | 7.5%-25% |

Withholding tax on dividend payments mainly corresponds to dividends paid within the financial year and planned for the coming financial year by the ERAMET foreign subsidiaries, pursuant to IAS 12, chiefly Comilog S.A. in Gabon (15%, amounting to €31 million for the 2010 payment and €20 million provisioned for the 2011 dividend payment, of which €24 million and €14 million in connection with the disposal of the Comilog S.A. shares to the Gabonese State).

In 2010, out of €7 million of unrecognised tax losses, the Manganese Division accounts for €6 million (Setrag SA, Erachem Comilog S.A., Chinese subsidiaries, Recycling business and Comilog France) with the Alloys Division accounting for €1 million (“High-speed steel” business). In the Manganese Division (Erachem Comilog S.A.) and the Alloys Division (“High-speed steel” business) deferred-tax assets relating to temporary differences previously impaired were recognised for €4 million and €8 million respectively. In 2009, out of €13 million of unrecognised tax losses, the Manganese Division accounted for €9 million (Setrag SA, Erachem Comilog S.A., Comilog S.A. and Comilog France) and the Alloys Division accounted for €4 million (“High-speed steel” business). Previously unrecognised tax losses used in 2008 amounted to €16 million (Comilog S.A., Erachem Comilog S.A. and Comilog France) compared with €10 million in 2007.

Miscellaneous items are mostly prior year tax adjustments.

In New Caledonia, the impact of the €40 million tax reassessment (€25 million after taking into account deferred tax arising on temporary differences) was recognised for the 2009 financial year, together with the disallowing of €9 million out of the €15 million tax credit obtained in 2007.

The income tax on the other components of comprehensive income breaks down as follows:

| *(in millions of euros)* | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| Translation adjustments for financial statements of subsidiaries in foreign currency | - | - | - |
| Change in financial instrument revaluation reserve | 7 | (46) | 42 |
| Change in fair value of held-for-sale financial assets | (1) | (7) | 4 |
| **Total** | **6** | **(53)** | **46** |

## NOTE 26. **Earnings per share**

| | FY 2010 | | | FY 2009 | | | FY 2008 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Net profit (loss) | Number of shares | Earnings per share | Net profit (loss) | Number of shares | Earnings per share | Net profit (loss) | Number of shares | Earnings per share |
| Basic earnings per share | 328 | 26,419,691 | 12.43 | (265) | 26,090,386 | (10.16) | 694 | 25,687,311 | 27.03 |
| • Subscription options | - | 29,752 | - | - | 43,440 | - | - | 67,419 | - |
| • Bonus share grants | - | 33,137 | - | - | - | - | - | - | - |
| Instruments deemed anti-dilutive (1) | - | - | - | - | (43,440) | - | - | - | - |
| **Diluted earnings per share** | **328** | **26,482,580** | **12.40** | **(265)** | **26,090,386** | **(10.16)** | **694** | **25,754,730** | **26.96** |

*(1) Where basic earnings per share are negative, the diluted earnings per share are deemed equal to the latter, the instruments being thus considered anti-dilutive.*

At 31 December 2010, 29,752 subscription options were outstanding (43,440 at 31 December 2009). These 29,752 potentially subscribable shares (43,440 shares at 31 December 2009) were included in diluted earnings per share, there being no non-exercisable options at end 2010 (43,440 at end 2009). The treasury shares assigned to bonus-share allocation plans (Note 13) are included in net earnings per share. ERAMET has not issued any other financial instruments that would be likely to dilute earnings per share.

The base number of shares corresponds to the weighted average number of shares, less the weighted number of treasury shares:

| | Ordinary shares | | Treasury shares | | Shares in circulation | |
|---|---|---|---|---|---|---|
| | At year-end | Weighted average | At year-end | Weighted average | At year-end | Weighted average |
| **Number of shares at 31 December 2007** | **25,905,621** | **25,905,621** | **340,786** | **340,786** | **25,564,835** | **25,564,835** |
| Purchases and sales – liquidity contract | - | - | 48,689 | 10,255 | (48,689) | (10,255) |
| Shares issued for Tinfos A/S acquisition | 241,491 | 101,228 | - | - | 241,491 | 101,228 |
| Subscription options exercised by employees | 68,119 | 31,503 | - | - | 68,119 | 31,503 |
| Bonus shares granted to employees | | - | - | - | - | - |
| **Number of shares at 31 December 2008** | | | | | | |
| • **Weighted average** | **-** | **26,038,352** | **-** | **351,041** | **-** | **25,687,311** |
| • **At period end** | **26,215,231** | **26,215,231** | **389,475** | **389,475** | **25,825,756** | **25,825,756** |
| Purchases and sales – liquidity contract | - | - | (29,028) | (13,969) | 29,028 | 13,969 |
| Shares issued for Tinfos A/S acquisition | 387,488 | 227,185 | - | - | 387,488 | 227,185 |
| Treasury share cancellations | (252,885) | (106,004) | (252,885) | (106,004) | - | - |
| Subscription options exercised by employees | 19,979 | 10,977 | - | - | 19,979 | 10,977 |
| Bonus shares granted to employees | - | - | (25,830) | (12,499) | 25,830 | 12,499 |
| **Number of shares at 31 December 2009** | | | | | | |
| • **Weighted average** | **-** | **26,347,389** | **-** | **257,003** | **-** | **26,090,386** |
| • **At period end** | **26,369,813** | **26,369,813** | **81,732** | **81,732** | **26,288,081** | **26,288,081** |
| Purchases and sales – liquidity contract | - | - | 22,119 | 3,343 | (22,119) | (3,343) |
| Shares issued for dividend payments | 129,965 | 129,965 | - | - | 129,965 | 129,965 |
| Subscription options exercised by employees | 13,688 | 4,988 | - | - | 13,688 | 4,988 |
| Bonus shares granted to employees | - | - | - | - | - | - |
| **Number of shares at 31 December 2010** | | | | | | |
| • **Weighted average** | **-** | **26,504,766** | **-** | **85,075** | **-** | **26,419,691** |
| • **At period end** | **26,513,466** | **26,513,466** | **103,851** | **103,851** | **26,409,615** | **26,409,615** |

# NOTE 27. Off-balance-sheet commitments

| *(in millions of euros)* | 31/12/2010 | 31/12/2009 | 31/12/2008 |
|---|---|---|---|
| **Commitments given** | | | |
| Endorsements, pledges and guarantees | **97** | 103 | 64 |
| Collateral security: | **39** | 38 | 197 |
| • Property, plant and equipment | **2** | 1 | 76 |
| • Long-term financial assets | **-** | - | - |
| • Inventories | **19** | 19 | 76 |
| • Receivables and other assets | **18** | 18 | 45 |
| Non-current asset orders | | - | - |
| **Commitments received** | | | |
| Endorsements, pledges and guarantees | **128** | 14 | 11 |
| Collateral security | **Nil** | Nil | Nil |
| Credit lines | **600** | 600 | 600 |

Commitments for orders of non-current assets only relate to strategic capital expenditure projects (discussed in Note 5.3). The above table does not include current business orders (from customers or with suppliers). The decrease in commitments for orders of non-current assets is due to certain projects moving from the project phase to the operational phase.

The increase in 2009 in endorsements, guarantees and deposits given corresponds to the bank guarantee given to the Southern Province of New Caledonia by Le Nickel-SLN in earnest of environmental supervision of the Doniambo site, any servicing works and the restoration of the site after its closure. A site restoration provision was recognised for a portion of these commitments (Note 16.4).

In 2008, the increase stemmed from the consolidation of the Norwegian company Eralloys Holding A/S, the bank borrowings of whose industrial subsidiaries are secured by mortgages on assets. These loans were repaid in 2009, thus explaining the sharp cutback in collateral security.

## MOANDA METALLURGY COMPLEX (CMM) INVESTMENT PROJECT – COMILOG S.A.

Comilog S.A. entered into an EPC – Open Book contract with TEC (a Chinese engineering firm) for an amount of RMB 1.3 bn, equivalent to US$200 million, for the supply of the equipment for and construction of the CMM. The payments under this contract began in November 2010 with US$10 million and are continuing in step with the progress of works, which are currently scheduled for completion at end 2013. An RMB/USD hedge was set up at a parity of 6.5256 in 2010.

A loan was contracted from BNP Paribas of US$157 million, relating to the setting-up of the project. At end December 2010, no amount was drawn down on that loan. The relevant agreement was signed on 10 September 2010. The two main conditions precedent to the contract becoming effective are the issuing of guarantees by the Gabonese State and ERAMET SA (for 25% and 75% of the amount respectively). The first drawdown of the loan is scheduled for April 2011.

## "TRANSGABONAIS" RAILWAY CONCESSION – SETRAG SA

Under the terms of the November 2005 agreement, signed for an initial period of 30 years, Setrag SA, the concession holder, is required to meet operating capacity targets (volume of goods and number of passengers). The concession holder is free to set prices. Its main shareholder, Comilog S.A., is committed to ensuring that the necessary funding is made available for the capital expenditure required to achieve the operating capacity targets.

## OPERATING LEASES

Operating leases whose amounts recognised in income totalled €46 million (at 31 December 2009: €42 million) mainly related to real-estate leases and vehicle leases, particularly in New Caledonia and Gabon.

# NOTE 28. **Other commitments**

## CALL OPTIONS ON PT WEDA BAY NICKEL IN FAVOUR OF PT ANTAM

The Indonesian state company Pt Antam, owner of 10% of Pt Weda Bay Nickel, has a call option exercisable between the submission date of a feasibility study by an independent banking institution and 30 days later. This option, which relates to 15% of Pt Weda Bay Nickel's share capital, will be priced at 150% of the expenses incurred at the time of the decision to begin construction. Pt Antam also has an option to buy shares within the first 60 days of the 14th year of production, relating to a minimum stake of 5% and a maximum of 40%. If Pt Weda Bay Nickel's shares are listed at the exercise date, the price of the shareholding will be calculated from the average market price for the 60 days preceding and 60 days following the option exercise. If Pt Weda Bay Nickel is not listed at the exercise date, the shareholding will be valued by independent experts.

## AGREEMENT TO INCREASE THE GABONESE REPUBLIC'S INTEREST IN THE CAPITAL OF COMILOG S.A.

After approval by its Board of Directors on 14 October 2010, ERAMET signed an agreement with the Gabonese Republic on 20 October 2010, increasing the Gabonese Republic's shareholding in Comilog S.A.; before the agreement, ERAMET's interest was 67.25%, with 25.4% held by the Gabonese Republic, and the balance in the hands of various private investors.

Under this agreement, from 2010 to 2015, ERAMET will transfer in stages to the Gabonese Republic an additional interest of up to 10% of Comilog S.A.'s capital, which would increase the Gabonese Republic's shareholding in Comilog S.A. to 35.4%. In the first stage (2010-2011) an interest of 3.54% will be transferred in the capital of Comilog S.A.

During the period from 2012 to 2015, the Gabonese Republic will acquire the remaining 6.46% from ERAMET according to terms and procedures to be determined at the time.

At 31 December 2010, the first-stage transfer covering the period 2010-2011, of 50,583 shares representing 2.17% of the share capital of Comilog S.A. was completed and recognised in equity in the Group financial statements (Note 2).

In June 2011, ERAMET will transfer 31,935 shares representing 1.37%.

# NOTE 29. **Related-party transactions**

Related-party transactions include the main ordinary transactions effect with non-consolidated controlled companies (Notes 1.11.1 and 8) and associates (Note 7).

To the best of the Group's knowledge, there were no transactions with shareholders holding over 5% of the share capital. Details of related party transactions in 2010 are set out below.

| *(in millions of euros)* | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| **Total sales** | | | |
| • Non-consolidated controlled subsidiaries | 59 | 61 | 159 |
| • Associates | - | - | - |
| **Cost of sales, administrative and selling expenses** | | | |
| • Non-consolidated controlled subsidiaries | (5) | (11) | (7) |
| • Associates | - | - | (3) |
| **Net borrowing costs** | | | |
| • Non-consolidated controlled subsidiaries | - | - | - |
| • Associates | - | - | - |

In 2010, balance sheet assets and liabilities resulting from related party transactions are as follows:

| *(in millions of euros)* | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| **Trade and other receivables** | | | |
| • Non-consolidated controlled subsidiaries | 12 | 17 | 51 |
| • Associates | - | - | - |
| **Trade and other payables** | | | |
| • Non-consolidated controlled subsidiaries | 4 | 4 | 4 |
| • Associates | - | - | - |
| **Net financial assets (liabilities)** | | | |
| • Non-consolidated controlled subsidiaries | 7 | 7 | 3 |
| • Associates | - | - | - |

ERAMET does not in any way guarantee related-party debts.

In 2010, 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:

| *(in millions of euros)* | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| **Short-term benefits** | | | |
| • Fixed remuneration | 2,700 | 2,672 | 2,507 |
| • Variable remuneration | 1,779 | 1,279 | 1,035 |
| • Directors' fees | 595 | 502 | 415 |
| **Other benefits** | | | |
| • Post-employment benefits | 73 | 824 | 7,750 |
| • Retirement indemnities | - | - | - |
| • Share-based payment | 1,741 | 445 | 815 |
| **Total** | **6,888** | **5,722** | **12,522** |

# NOTE 30. Workforce and personnel costs

## 30.1. AVERAGE WORKFORCE BY DIVISION

| | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| Nickel | 3,022 | 3,106 | 3,057 |
| Manganese | 6,433 | 6,604 | 6,723 |
| Alloys | 4,566 | 4,618 | 4,797 |
| Holding company and miscellaneous | 135 | 137 | 125 |
| **Total** | **14,156** | **14,465** | **14,702** |

## 30.2. WORKFORCE BY DIVISION AT END OF PERIOD

| | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| Nickel | 3,012 | 3,073 | 3,126 |
| Manganese | 6,419 | 6,402 | 7,132 |
| Alloys | 4,554 | 4,571 | 4,847 |
| Holding company and miscellaneous | 138 | 137 | 136 |
| **Total** | **14,123** | **14,183** | **15,241** |

### 30.3. PERSONNEL COSTS BY CATEGORY

| *(in millions of euros)* | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| Wages and salaries | **(423)** | (402) | (408) |
| Profit-sharing | **(18)** | (5) | (25) |
| Other personnel expenses | **(167)** | (164) | (165) |
| Employee benefits | **5** | (6) | 6 |
| Share-based payment | **(6)** | (3) | (2) |
| **Total** | **(609)** | **(580)** | **(594)** |
| Personnel costs – temporary staff | **(13)** | (10) | (31) |
| **Personnel costs – income statement** | **(622)** | **(590)** | **(625)** |
| Payroll as % of sales (including temporary staff) | **17%** | 22% | 14% |
| Average personnel cost (excluding temporary staff) (thousands of euros) | **(43)** | (40) | (40) |

## NOTE 31. Fees paid to the Statutory Auditors

Full details of all fees paid for the legally mandated auditing of the separate and consolidated financial statements and for other work (consultancy and services), whether directly related or not are provided below:

| *(in millions of euros)* | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|
| Statutory audit, certification, examination of individual and consolidated financial statements | **2,596** | 2,436 | 2,350 |
| • Ernst & Young | **1,284** | 1,186 | 1,117 |
| • Deloitte & Associés | **1,188** | 1,044 | 944 |
| • Other | **124** | 206 | 289 |
| Other services directly relating to the statutory audit | **159** | 151 | 173 |
| • Ernst & Young | **73** | 71 | 23 |
| • Deloitte & Associés | **61** | 62 | 122 |
| • Other | **25** | 18 | 28 |
| Other services provided | **618** | 355 | 1,293 |
| • Ernst & Young | **223** | 22 | 185 |
| • Deloitte & Associés | **233** | 164 | 484 |
| • Other | 162 | 169 | 624 |
| **Total** | **3,373** | **2,942** | **3,816** |

# NOTE 32. **Additional information**

Carlo Tassara France (a company belonging to Mr Romain Zaleski's group) holds 3,394,146 shares in ERAMET (equivalent to 12.87% of its capital at 31 December 2009), on the basis of an estimate using the latest declaration of the crossing of a significant-shareholding threshold by the first-mentioned company (No. 207C0134 of 17 January 2007).

On 17 December 2009, Carlo Tassara France issued a writ against the S.I.M.A., SORAME and CEIR companies, together with members of the Duval family, summoning them to appear at the Paris Commercial Court. The writ of summons states that the action is being brought in the presence of ERAMET. In its writ of summons, Carlo Tassara France claims first, that Groupe S.I.M.A.'s presentation to the ERAMET shareholders in 1999 misled them by concealing from them the indebtedness of SMC, a 38.5%-held subsidiary of S.I.M.A., consolidated not fully, but by the equity method (as an associate company), whereas S.I.M.A. is stated to have concealed from both the appraisal auditors for the transfer of assets *(commissaires aux apports)* and the ERAMET shareholders that it had full control of that subsidiary. Secondly, Carlo Tassara France challenges the terms on which ERAMET financed SMC through the intermediary of S.I.M.A. since 1999 and until 2002 (when SMC filed for bankruptcy), by loans alleged to have been granted unlawfully through their not having received prior authorisation from the ERAMET Board of Directors; the claimant also requests the Court to find that those loans proved prejudicial to ERAMET and seeks to have Messrs. Édouard, Georges, Patrick and Cyrille Duval found jointly and severally liable to pay ERAMET a total sum of €76.4 million in damages.

Carlo Tassara France is seeking cancellation of the resolutions of the ERAMET Shareholders' General Meeting 21 July 1999 that approved the transfer of the S.I.M.A. shares to ERAMET, the cancellation of the ERAMET shares issued as consideration for the shares so transferred, the reduction of the ERAMET share capital to take account of the shares cancelled, the return of the dividends received by the holders of such shares since 1999 of an amount estimated by Carlo Tassara France at €201 million, and the return by ERAMET to the transferors of both the said S.I.M.A. shares and the dividends received from S.I.M.A. since 1999.

While the writ was not issued against ERAMET or its past or present management bodies, if the action succeeds, it is liable to have considerable repercussions for ERAMET since, besides a significant reduction in capital, it would entail S.I.M.A. – and hence, Aubert & Duval – leaving the group's activity scope. ERAMET recalls that the contributions of S.I.M.A. shares were approved by the ERAMET extraordinary general meeting of 21 July 1999, upon its being acquainted with the report by two appraisal auditors for the transfer appointed by the Chief Judge of the Paris Commercial Court, the report by the ERAMET Board of Directors of which the annex was signed as approved by the *Commission des opérations de Bourse* on 6 July 1999 (document No. E 99-944) and the fairness opinion attached to that document E.

In September 2010, the defendants lodged submissions in reply to the claims of Carlo Tassara France. The next hearing in the proceedings is scheduled for early February 2011.

# NOTE 33. **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 34. **Segment reporting**

## 34.1. BY BUSINESS SEGMENT

| *(in millions of euros)* | Nickel | Manganese | Alloys | Holding co. & interco eliminations | Total |
|---|---|---|---|---|---|
| **FY 2010** | | | | | |
| External sales | 958 | 1,853 | 763 | 2 | 3,576 |
| Inter-segment sales | 7 | 5 | 1 | (13) | - |
| Total sales | 965 | 1,858 | 764 | (11) | 3,576 |
| Cash generated by operating activities | 229 | 518 | 56 | (33) | 770 |
| EBITDA | 269 | 656 | 76 | (30) | 971 |
| Current operating profit (loss) | 194 | 548 | 29 | (32) | 739 |
| Other operating income and expenses | - | - | - | - | (19) |
| Operating profit (loss) | - | - | - | - | 720 |
| Net borrowing costs | - | - | - | - | 3 |
| Other financial income and expenses | - | - | - | - | (15) |
| Share in profits of associates | - | - | - | - | 1 |
| Income tax | - | - | - | - | (255) |
| Attributable to non-controlling interests | - | - | - | - | (126) |
| Attributable to equity holders of the parent | - | - | - | - | 328 |
| Non-cash expenses | (82) | (211) | (40) | 17 | (316) |
| • Depreciation and amortisation | (78) | (100) | (41) | (2) | (221) |
| • Provisions | (10) | (5) | (14) | 12 | (17) |
| • Impairment losses | - | (2) | 13 | - | 11 |
| Industrial capital expenditure (intangible assets and property, plant and equipment) | 124 | 130 | 69 | 3 | 326 |
| **Total balance sheet assets (current and non-current)** | **2,630** | **3,030** | **1,007** | **(564)** | **6,103** |
| **Total balance sheet liabilities (current and non-current, excluding shareholders' equity)** | **842** | **1,043** | **630** | **(386)** | **2,129** |
| **FY 2009** | | | | | |
| External sales | 649 | 1,289 | 750 | 1 | 2,689 |
| Inter-segment sales | 6 | - | - | (6) | - |
| Total sales | 655 | 1,289 | 750 | (5) | 2,689 |
| Cash generated by operating activities | (15) | 13 | (21) | (19) | (42) |
| EBITDA | 13 | 72 | (5) | (21) | 59 |
| Current operating profit (loss) | (62) | (27) | (49) | (25) | (163) |
| Other operating income and expenses | - | - | - | - | (104) |
| Operating profit (loss) | - | - | - | - | (267) |
| Net borrowing costs | - | - | - | - | 11 |
| Other financial income and expenses | - | - | - | - | (12) |
| Share in profits of associates | - | - | - | - | - |
| Income tax | - | - | - | - | 7 |
| Attributable to non-controlling interests | - | - | - | - | (4) |
| Attributable to equity holders of the parent | - | - | - | - | (265) |
| Non-cash expenses | (57) | (86) | (90) | 14 | (219) |
| • Depreciation and amortisation | (75) | (92) | (47) | (17) | (231) |
| • Provisions | (57) | (3) | 2 | - | (58) |
| • Impairment losses | - | (3) | (48) | - | (51) |
| Industrial capital expenditure (intangible assets and PP&E) | 107 | 110 | 67 | 2 | 286 |
| **Total balance sheet assets (current and non-current)** | **2,406** | **2,765** | **895** | **(796)** | **5,270** |
| **Total balance sheet liabilities (current & non-current, excluding shareholders' equity)** | **748** | **972** | **537** | **(492)** | **1,765** |

| *(in millions of euros)* | Nickel | Manganese | Alloys | Holding co. & interco eliminations | Total |
|---|---|---|---|---|---|
| FY 2008 | | | | | |
| External sales | 896 | 2,347 | 1,102 | 1 | 4,346 |
| Inter-segment sales | 1 | 1 | - | (2) | - |
| Total sales | 897 | 2,348 | 1,102 | (1) | 4,346 |
| Cash generated by operating activities | 249 | 814 | 74 | (27) | 1,110 |
| EBITDA | 239 | 1,163 | 122 | (19) | 1,505 |
| Current operating profit (loss) | 169 | 1,088 | 86 | (22) | 1,321 |
| Other operating income and expenses | - | - | - | - | (78) |
| Operating profit (loss) | - | - | - | - | 1,243 |
| Net borrowing costs | - | - | - | - | 34 |
| Other financial income and expenses | - | - | - | - | (75) |
| Share in profits of associates | - | - | - | - | - |
| Income tax | - | - | - | - | (347) |
| Attributable to non-controlling interests | - | - | - | - | (161) |
| Attributable to equity holders of the parent | - | - | - | - | 694 |
| Non-cash expenses | (117) | (84) | (38) | (16) | (255) |
| • Depreciation and amortisation | (72) | (62) | (41) | (2) | (177) |
| • Provisions | (9) | 21 | 2 | 6 | 20 |
| • Impairment losses | (7) | (41) | - | - | (48) |
| Industrial capital expenditure (intangible assets and PP&E) | 189 | 145 | 83 | 2 | 419 |
| **Total balance sheet assets (current and non-current)** | **2,465** | **2,998** | **1,109** | **(603)** | **5,969** |
| **Total balance sheet liabilities (current & non-current, excluding shareholders' equity)** | **765** | **1,058** | **638** | **(225)** | **2,236** |

## 34.2. BY GEOGRAPHIC AREA

| *(in millions of euros)* | Europe | North America | Asia | Oceania | Africa | South America | Total |
|---|---|---|---|---|---|---|---|
| Sales (broken down by destination) | | | | | | | |
| FY 2010 | 1,598 | 642 | 1,201 | 32 | 77 | 26 | 3,576 |
| FY 2009 | 1,270 | 466 | 840 | 24 | 72 | 17 | 2,689 |
| FY 2008 | 2,224 | 812 | 1,156 | 44 | 91 | 19 | 4,346 |
| Industrial capital expenditure (intangible assets and property, plant and equipment) | | | | | | | |
| FY 2010 | 108 | 28 | 75 | 50 | 64 | 1 | 326 |
| FY 2009 | 83 | 16 | 54 | 65 | 68 | - | 286 |
| FY 2008 | 122 | 47 | 34 | 156 | 60 | - | 419 |
| **Total balance sheet assets (current and non-current)** | | | | | | | |
| FY 2010 | 3,792 | 400 | 700 | 846 | 365 | - | 6,103 |
| FY 2009 | 3,157 | 352 | 533 | 903 | 325 | - | 5,270 |
| FY 2008 | 3,725 | 430 | 587 | 1,017 | 210 | - | 5,969 |

## 6.1.3. Report of the Statutory Auditors on the Consolidated Financial Statements – Year ended 31 December 2010

To the Shareholders,

In accordance with our appointment as Statutory Auditors at your Annual General Meeting, we hereby report to you for the year ended 31 December 2010 on:

- the audit of the accompanying consolidated financial statements of ERAMET,
- the justification of our assessments;
- the specific verification required by law.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

### I. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2010 and of the results of its operations for the year then ended in accordance with the IFRSs as adopted by the European Union.

Without qualifying the opinion expressed above, we draw your attention to the first-time adoption of IFRS 3 revised, Business combinations and IAS 27 revised, Consolidated and Separate Financial Statements, the impacts of which are described in Notes 1.1 and 2 to the consolidated financial statements.

### II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with Article L. 823-9 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we bring to your attention the following matters:

#### Impairment of assets

Your Company performs impairment tests on goodwill and intangible assets with indefinite useful lives at least once a year and whenever there is an indication that an asset may be impaired, in accordance with the methods set out in Notes 1.10 to the consolidated financial statements. We have reviewed the terms and conditions for implementing this impairment test as well as the assumptions used by the Company.

#### Derivatives

Financial instruments qualifying as hedging instruments are recognized and measured in accordance with the Group methods described in Note 1.20 to the consolidated financial statements. Our procedures consisted in reviewing the documentation relating to hedging operations and the reasonableness of the assumptions used to determine the fair value of the financial instruments at the balance sheet date.

#### Provisions

As indicated in Notes 1.19 and 17 to the consolidated financial statements, your Company performs estimates and makes assumptions regarding provisions for losses and contingencies. Our procedures consisted in assessing the approaches adopted and the documentation communicated, in particular, regarding the provisions for mine site restoration. On these bases, we assessed the reasonableness of these estimates.

These assessments were performed as part of our audit approach for the consolidated financial statements taken as a whole and contributed to the expression of the opinion in the first part of this report.

### III. SPECIFIC VERIFICATION

In accordance with professional standards applicable in France, we have also verified, pursuant to the law, the information given in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine, 4 March 2011

The Statutory Auditors

| Ernst & Young Audit | Deloitte & Associés |
|---|---|
| Aymeric de la MORANDIÈRE | Alain PENANGUER |

# 6.2. 2010 SEPARATE FINANCIAL STATEMENTS

## 6.2.1. Income statement, balance sheet 2010

### 1. BALANCE SHEET

#### ASSETS

| *(in thousands of euros)* | Notes | Gross amounts | Depreciation, amortisation and provisions | 31/12/2010 Net amounts | 31/12/2009 Net amounts |
|---|---|---|---|---|---|
| **Intangible assets** | | | | | |
| Concessions, patents, licences, trademarks, processes, rights and similar assets | | 8,482 | 8,224 | **258** | 245 |
| Goodwill | | | | | |
| Other | | | | | |
| Tangible non-current assets in progress | | 6,635 | 1,928 | **4,706** | 442 |
| **Subtotal** | | **15,116** | **10,152** | 4,964 | **687** |
| **Property, plant, and equipment** | | | | | |
| Land | | 1,131 | | **1,131** | 1,131 |
| Buildings | | 22,963 | 15,521 | **7,442** | 8,143 |
| Technical installations, machinery and equipment | | 57,074 | 44,303 | **12,771** | 12,354 |
| Other | | 10,769 | 7,335 | **3,434** | 3,845 |
| Tangible non-current assets in progress | | 319 | | **319** | 428 |
| Down-payments | | 88 | | **88** | 88 |
| **Subtotal** | | **92,344** | **67,158** | 25,186 | **25,989** |
| **Non-current financial assets** | | | | | |
| Investments in associates | | 1,636,989 | 97,484 | **1,539,505** | 1,508,190 |
| Receivables on investments in associates | 2 | 424,736 | | **424,736** | 549,121 |
| Other capitalised investments | | 14,077 | 7,218 | **6,860** | 8,580 |
| Other | 2 | 27,603 | 13,343 | **14,260** | 21,186 |
| **Subtotal** | | **2,103,406** | **118,045** | 1,985,361 | **2,087,078** |
| **Non-current assets** | **1** | **2,210,866** | **195,355** | 2,015,511 | **2,113,755** |
| **Inventories and work in progress** | | | | | |
| Raw materials and other supplies | | 48,132 | 3,839 | **44,293** | 22,838 |
| Work in progress | | 11,024 | | **11,024** | 7,410 |
| Semi-finished and finished products | | 23,125 | | **23,125** | 18,729 |
| Goods for sale | | 43,007 | | **43,007** | 32,109 |
| **Subtotal** | **7** | **125,288** | **3,839** | 121,449 | **81,086** |
| **Down-payments made on orders** | | **2,688** | | 2,688 | **2,001** |
| **Operating receivables** | | | | | |
| Trade receivables | | 103,979 | 769 | **103,209** | 88,105 |
| Other receivables | | 24,876 | 10,873 | **14,003** | 15,895 |
| **Subtotal** | **2 & 7** | **128,855** | **11,642** | 117,213 | **103,999** |
| **Group intercompany current accounts** | | | | | |
| **Cash and cash equivalents** | **3** | **5,310** | | 5,310 | **1,674** |
| **Accruals** | | | | | |
| Prepaid expenses | | 6,445 | | **6,445** | 1,543 |
| Deferred debt issue costs | | 25 | | **25** | 92 |
| **Subtotal** | **4** | **6,470** | | 6,470 | **1,635** |
| **Current assets** | | **268,610** | **15,481** | 253,129 | **190,395** |
| **Translation adjustments** | | **0** | | 0 | **0** |
| **Total assets** | | **2,479,476** | **210,836** | **2,268,640** | **2,304,150** |

## LIABILITIES AND SHAREHOLDERS' EQUITY

| *(in thousands of euros)* | Notes | 31/12/2010 | 31/12/2009 |
|---|---|---|---|
| Share capital | 6 | **80,866** | 80,428 |
| Issue, merger and contribution premiums | | **371,505** | 341,255 |
| Legal reserve | | **7,996** | 7,996 |
| Regulated reserves | | **0** | 0 |
| Other reserves | | **253,839** | 253,839 |
| Retained earnings | | **406,299** | 483,564 |
| Profit (loss) for the period | | **146,112** | (29,942) |
| **Net assets** | **5** | **1,266,616** | **1,137,140** |
| Capital grants | | | |
| Regulated provisions | 8 | **80,172** | 74,346 |
| **Shareholders' equity** | | **1,346,788** | **1,211,486** |
| Provisions for contingencies | | **10,106** | 11,284 |
| Provisions for losses | 8 | **5,972** | 5,047 |
| **Provisions for contingencies and losses** | | **16,078** | **16,331** |
| **Long-term borrowings** | | | |
| Borrowings from and payables to credit institutions | | **329** | 132 |
| Miscellaneous borrowings | | **90** | 374 |
| Inter-company current accounts | | **662,708** | 932,451 |
| **Subtotal** | | **663,127** | **932,958** |
| **Down-payments** | | **7,666** | **1,073** |
| **Operating payables** | | | |
| Trade payables | | **209,220** | 118,331 |
| Tax and payroll liabilities | | **14,597** | 11,216 |
| **Miscellaneous liabilities** | | | |
| Liabilities on non-current assets and related payables | | **1,657** | 973 |
| Other liabilities | | **9,485** | 11,762 |
| **Accruals** | | | |
| Unearned income | | **20** | 20 |
| **Liabilities** | **10 & 11** | **905,773** | **1,076,333** |
| **Total shareholders' equity and liabilities** | | **2,268,640** | **2,304,150** |

## 2. INCOME STATEMENT

| *(in thousands of euros)* | Notes | FY 2010 | FY 2009 |
|---|---|---|---|
| **Operating income** | | | |
| Sales of goods and merchandise | | **1,010,587** | 688,211 |
| Income from ancillary activities | | **56,426** | 63,580 |
| **Total sales** | **13** | **1,067,012** | **751,791** |
| Change in inventories of finished products and work in-progress | | **8,011** | (661) |
| Capitalised production | | **2,877** | 67 |
| Operating subsidies | | **51** | 23 |
| Reversals of provisions (and depreciation), transferred charges | | **12,918** | 6,195 |
| Other income | | | 110 |
| **Other income** | | **23,857** | **5,734** |
| **Total income** | | **1,090,869** | **757,526** |
| **Operating expenses** | | | |
| Purchases of goods | | **755,574** | 498,678 |
| Change in inventory | | **(10,898)** | 3,506 |
| Purchases of raw materials and other supplies | | **246,619** | 145,100 |
| Change in inventory | | **(21,410)** | (1,838) |
| External purchases and expenses | | **76,268** | 67,170 |
| Taxes other than on income | | **2,836** | 5,099 |
| Wages and salaries | | **26,645** | 26,770 |
| Payroll charges | | **22,171** | 15,478 |
| Depreciation and amortisation charged | | **4,732** | 5,104 |
| Provisions for losses on current assets | | **3,839** | 3,925 |
| Provisions for contingencies and losses | | **13,227** | 3,151 |
| Other expenses | | **1,949** | 3,419 |
| **Total expenses** | | **1,121,553** | **775,561** |
| **Operating profit (loss)** | | **(30,683)** | **(18,036)** |
| **Income from financing activities** | **16** | **96,579** | **27,685** |
| **Profit (loss) before tax and extraordinary items** | | **65,895** | **9,649** |
| **Extraordinary items** | **17** | **74,544** | **(45,444)** |
| Employee profit-sharing & incentives | | **(4,228)** | (580) |
| Income tax | 14 | **9,900** | 6,433 |
| **Profit (loss) for the period** | | **146,112** | **(29,942)** |

## 3. CASH FLOW STATEMENT

| *(in thousands of euros)* | FY 2010 | FY 2009 |
|---|---|---|
| **Operating activities** | | |
| Profit (loss) for the period | 146,112 | (29,942) |
| Elimination of non-cash and non-operating income and expenses | (90,436) | 132,785 |
| **Cash generated by operating activities** | 55,676 | **102,844** |
| Change in operating working capital requirement | 33,750 | 65,368 |
| **Net cash generated by operating activities** | 89,426 | **168,212** |
| **Cash flows from investing activities** | | |
| Payments for non-current financial assets | (8,091) | (57,569) |
| Payments for non-current tangible and intangible assets | (7,908) | (3,954) |
| Proceeds from non-current asset disposals | 85,934 | 93,113 |
| Debt repayments | | |
| Increase in deferred expenses, change in receivables and payables on non-current assets | 6,590 | 128 |
| **Subtotal** | 76,525 | **31,718** |
| Other movements | | |
| **Net cash used in investing activities** | 76,525 | **31,718** |
| **Cash flows from transactions in equity** | | |
| Dividends paid to ERAMET SA shareholders | (47,324) | (135,741) |
| Proceeds from share capital increases | 30,688 | 48,735 |
| Change in working capital requirement stemming from financing activities | (235) | 291 |
| **Net cash used in financing activities** | (16,870) | **(86,715)** |
| Other movements | 0 | 76 |
| **Decrease (increase) in net borrowings** | 149,081 | **113,291** |
| **Net cash (borrowings) at 1 January** | (382,162) | **(495,453)** |
| **Net cash (borrowings) at 31 December** | (233,081) | **(382,162)** |

## 4. HIGHLIGHTS

### SALES

Sales of metallurgical products rose 47% compared with 2009; this sharp rise was due to the increase in the average LME metal price (US$9.89/lb in 2010 compared with US$6.65/lb in 2009). Sale prices after hedging rose 45% to US$10.0/lb in 2010 (compared with US$6.9/lb in 2009).

Over the same period, tonnages sold came to 53.7 thousand tonnes in 2010, slightly down from 2009, by some 2%.

### OPERATING PROFIT (LOSS)

The widening of the operating loss from -€18 million in 2009 to -€30 million in 2010 is explained by the following factors:

- the change in the remuneration terms under the SLN/ ERAMET contract;
- the increase in project expenditure: +€1.8 million;
- the increase in the provision set aside for the bonus-share issue Plans: +€7.1 million.

### INCOME FROM FINANCING ACTIVITIES

Net financial income consisted primarily of dividends received from subsidiaries (Nickel: €8.2 million; Manganese: €68.3 million; Alloys: €4.6 million), reversals of provisions for €22 million on Erasteel SAS shares and €8.2 million on S.I.M.A. shares.

A net foreign-exchange loss of €12.8 million was recorded for 2010 compared with a net expense of €8.7 million at end 2009, the 2010 loss being mainly due to the hedging of Weda Bay shares.

### EXTRAORDINARY ITEMS

The extraordinary result comprises a not transfer to regulated reserves of €5.8 million, of which €3.7 million in price-increase provisions, and capital gain of €80.9 million on the sale of Comilog S.A. shares to the Gabonese State.

### ERAMET AND SLN AGREEMENT

Discussions were held during 2010 to modernise the marketing and technical-support agreements between ERAMET and SLN in 1985 and 1999, renewed without a break since then.

These discussions led to an agreement in late 2010 that was approved by the Board of Directors on 12 January 2011.

The new agreements amend the terms for remuneration of both the Sandouville refinery and the marketing service. Those agreements became effective as from the 2010 financial year.

#### CHANGES TO INVESTMENTS IN ASSOCIATES

In July 2010, ERAMET completed the consolidation of Tinfos by buying out the last outstanding Eralloys A/S shares from the non-controlling shareholders for €6.1 million, bringing that subsidiary into its full ownership.

After approval by its Board of Directors on 14 October 2010, ERAMET signed an agreement with the Gabonese Republic on 20 October 2010, increasing the Gabonese Republic's shareholding in Comilog S.A.; before the agreement, ERAMET's interest was 67.25%, with 25.4% held by the Gabonese Republic, and the remainder in the hands of various private investors.

Under this agreement, from 2010 to 2015, ERAMET will transfer in stages to the Gabonese Republic an additional interest of up to 10% of Comilog S.A.'s capital, which would increase the Gabonese Republic's shareholding in Comilog S.A. to 35.4%. In the first stage (2010-2011) an interest of 3.54% will be transferred in the capital of Comilog S.A.

During the period from 2012 to 2015, the Gabonese Republic will acquire the remaining 6.46% from ERAMET according to terms and procedures to be determined at the time.

At 31 December 2010, 50,583 shares were transferred, representing 21.7% of Comilog S.A., relating to the first stage covering the period 2010-2011. This transaction resulted in a gain of €80.9 million.

The slight recovery in the activities of Erasteel and S.I.M.A. allowed reversals of provisions on the shares of both companies, of €22 million and €8.2 million respectively.

#### CHANGES IN THE CASH POSITION

The €149 million decrease in net debt is chiefly explained by the sale of Comilog shares for €85.4 million, the dividends and the improvement in WCR.

## 6.2.2. Notes to the separate financial statements

## 5. ACCOUNTING PRINCIPLES, RULES AND METHODS

### 5.1. REMINDER OF PRINCIPLES

The general accounting conventions were applied, adhering to the principle of prudence, and in accordance with the basic assumptions: continuity of operation, permanence of accounting methods and independence of financial periods, with observance of the rules for drawing up and presenting annual financial statements.

The historical cost method is the basic method used to measure items.

### 5.2. CHANGE IN METHODS

We did not perform any change of method compared with 31 December 2009.

### 5.3. RULES AND METHODS APPLIED TO THE VARIOUS ITEMS OF THE BALANCE SHEET AND INCOME STATEMENT

#### 5.3.1. 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 by excess depreciation or by charging to provisions.

Economically justified depreciation is calculated using the straight-line method. This depreciation is calculated over the asset's useful life.

Depreciation periods for property, plant and equipment are as follows, apart from exceptional cases:

- 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.

#### 5.3.2. Non-current financial assets

As from 1 January 2006, the gross amount includes the purchase cost, excluding incidental expenses. Borrowings are recognised at their nominal value. Securities are estimated at their value in use, which takes account of both their net asset value and the likely returns. If the value in use is lower than their gross amount, an impairment loss is recognised for the difference.

#### 5.3.3. Development projects in progress

As a rule, development projects are initiated by ERAMET as the holding company. The costs incurred for these projects are recognised either as Non-current financial assets or as Other receivables during the design phase. When project fulfilment is by acquisition, those costs are included in the value of the shares. Such expenses are recognised directly as expenses or, where they have been capitalised but where these projects are not completed, impaired through recognition as an exceptional loss.

### 5.3.4. Inventories

Inventories of nickeliferous products are measured at cost, calculated on a first-in-first-out (FIFO) basis. If the value thereby obtained is greater than the net realisable value (*i.e.* selling price less selling expenses), a provision is recognised for the difference.

Consumables are measured at cost, which is calculated using the weighted average price method.

Spare parts inventories are fully impaired for any item where they exceed one year's supply.

### 5.3.5. 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.

Unrealised losses or gains on foreign exchange arising from re-measurement at the forward hedging rate or, where unhedged, at the closing rate, are recognised as losses or gains on exchange in the income statement.

Impairment losses on trade receivables are measured for each customer individually, based on the estimated risk.

### 5.3.6. 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.

### 5.3.7. Provisions for contingencies and losses

Provisions are recorded, where their amount can be reliably estimated, to cover all liabilities arising from past events that are known at the balance sheet date and the settlement of which is likely to result in an outflow of resources representing economic benefits in order to settle the liability.

#### Employee indemnities and benefits

ERAMET offers its employees various long-term benefits such as retirement indemnities 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, the liabilities and hedging assets are measured 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 of blue-chip companies with a maturity equivalent to that of the liabilities on the appraisal date.

The expected long-term return on assets was calculated by taking into account the structure of the investment portfolio for each country.

The following actuarial assumptions are used for measurements of value:

| | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|
| Discount rate | **4.90%** | 5.00% | 5.40% | 5.25% |
| Rate of inflation | **2.00%** | 2.10% | 2.10% | 2.00% |
| Rate of increase in salaries | **3.10%** | 3.10% | 2.10% | 3.00% |
| Return on plan financial assets | **4.00%** | 4.50% | 5.00% | 5.00% |

#### Employee bonus-share allocation plan

At its meeting on 29 July 2009, the Board resolved on a plan for the award of 70,425 bonus shares covering all Group employees.

To further bonus share awards were resolved at the Shareholders' General Meeting on 20 May 2010, of 28,816 and 65,008 shares respectively (see Note 24).

### 5.3.8. Sales

Sales consist of the following:

- Ferro-nickel sales (purchase and sale of SLN products);
- Nickel salts (produced at the Sandouville plant);
- Provision of services and re-invoicing of shared expenses.

Income is recognised as revenue once the company has transferred to the buyer the main risks and benefits inherent in ownership of the goods.

# NOTE 1. Non-current assets

## 1.1. ACQUISITION VALUES

| *(in thousands of euros)* | Acquisition values 31/12/2009 | Acquisitions | Disposals, scrapping and adjustments | Acquisition values 31/12/2010 |
|---|---|---|---|---|
| **Intangible assets** | | | | |
| Concessions, patents, licences, trademarks, processes, rights and similar assets | 7,900 | 485 | 97 | 8,482 |
| Non-current assets in progress (1) | 2,345 | 4,386 | (96) | 6,635 |
| **Subtotal** | **10,245** | **4,870** | **1** | **15,116** |
| **Property, plant, and equipment** | | | | |
| Land | 1,131 | | | 1,131 |
| Buildings | 22,556 | 423 | (16) | 22,963 |
| Technical installations, machinery and equipment | 54,720 | 2,553 | (199) | 57,074 |
| Other | 10,383 | 376 | 10 | 10,769 |
| Property, plant & equipment in progress | 428 | (83) | (26) | 319 |
| Down-payments | 88 | | | 88 |
| **Subtotal** | **89,219** | **3,269** | **(232)** | **92,344** |
| **Non-current financial assets** | | | | |
| Investments in associates (2) | 1,635,874 | 6,124 | (5,009) | 1,636,989 |
| Receivables on investments in associates | 549,121 | 85,960 | (210,345) | 424,736 |
| Other capitalised investments (3) | 8,580 | 6,026 | (529) | 14,077 |
| Other (4) | 34,565 | 2,652 | (9,614) | 27,603 |
| **Subtotal** | **2,228,140** | **100,762** | **(225,497)** | **2,103,406** |
| **Total** | **2,327,604** | **108,901** | **(225,728)** | **2,210,866** |

*(1) Capitalised costs chiefly connected with the project to bring together part of the IT services at the ERAMET management headquarters (€1.3 million) and with the development of hydrometallurgy technology (€2.8 million).*

*(2) In July 2010, consolidation of Tinfos was completed: the last outstanding Eralloys A/S shares were bought up from the non-controlling shareholders by payment of the balance available of €4.2 million on the escrow account, with an additional payment of €1.9 million, making a total consideration of €6.1 million.*

*In December, 2.17% of the share capital of Comilog S.A. was sold to the Gabonese State (carrying amount of the shares: €5 million).*

*(3) The line "Other capitalised investments" relates to treasury shares.*

*The increase arises from the purchase of 23,610 shares in December 2010 which Exane BNP Paribas was instructed to buy back. These shares are intended to be distributed under a bonus share allocation Plan (see paragraph 5.3.7.). The decrease results from movements arising under the share price support contract with Exane BNP Paribas.*

*The Treasury shares available for meeting the requirements of the bonus-share allocation Plans have been provisioned for 100% of their value.*

*The other treasury shares held under the share price support contract were not provisioned, since the stock-market price at 31 December 2010 exceeded the portfolio valuation price.*

*(4) The increase is mainly due to the depositing of the additional payment for the buyout of the Eralloys A/S shares from the non-controlling shareholders (€1.9 million).*

*The decrease arises from the payment of the whole balance on the escrow account to the Eralloys A/S non-controlling shareholders (€6.1 million) and from the reduction in the assets of the defined-benefit pension scheme (increase in pension liability and no payment into the fund in 2010).*

## 1.2. DEPRECIATION, AMORTISATION AND PROVISIONS

| *(in thousands of euros)* | Depreciation, amortisation and provisions on 31/12/2009 | Depreciation, amortisation and provisions for the FY | Reversals of depreciation, amortisation & provisions/FY | Disposals, scrapping and adjustments | Depreciation, amortisation & provisions, 31/12/2010 | Carrying amounts, 31/12/2010 |
|---|---|---|---|---|---|---|
| **Intangible assets** | | | | | | |
| Concessions, patents, licences, trademarks, processes, rights and similar assets | 7,655 | 569 | | (0) | 8,223 | 259 |
| Property, plant & equipment in progress | 1,903 | 26 | | | 1,928 | 4,706 |
| **Subtotal** | **9,558** | **594** | **0** | **(0)** | **10,152** | **4,965** |
| **Property, plant, and equipment** | | | | | | |
| Land | | | | | 0 | 1,131 |
| Buildings | 14,413 | 1,124 | | (16) | 15,521 | 7,442 |
| Technical installations, machinery and equipment | 42,366 | 2,227 | (91) | (199) | 44,303 | 12,771 |
| Other | 6,538 | 812 | | (15) | 7,335 | 3,434 |
| Property, plant & equipment in progress | | | | | 0 | 319 |
| Down-payments | | | | | | 88 |
| **Subtotal** | **63,317** | **4,163** | **(91)** | **(231)** | **67,158** | **25,186** |
| **Non-current financial assets** | | | | | | |
| Investments in associates (2) | 127,684 | | (30,200) | | 97,484 | 1,539,505 |
| Receivables on investments in associates | | | | | 0 | 424,736 |
| Other capitalised investments (1) | | | | 7,218 | 7,218 | 6,860 |
| Other (3) | 13,379 | 5 | (41) | | 13,343 | 14,260 |
| **Subtotal** | **141,063** | **5** | **(30,241)** | **7,218** | **118,045** | **1,985,361** |
| **Total** | **213,938** | **4,762** | **(30,332)** | **6,986** | **195,355** | **2,015,511** |

*(1) The line "Other capitalised investments" relates to treasury shares.*

*The increase arises from the purchase of 23,610 shares in December 2010 which Exane BNP Paribas was instructed to buy back. These shares are intended to be distributed under a bonus share allocation Plan (see paragraph 5.3.7.). The decrease results from movements arising under the share price support contract with Exane BNP Paribas.*

*The Treasury shares available for meeting the requirements of the bonus-share allocation Plans have been provisioned for 100% of their value.*

*The other treasury shares held under the share price support contract were not provisioned, since the stock-market price at 31 December 2010 exceeded the portfolio valuation price.*

*(2) Reversal of the provisions on the Erasteel SAS shares (€22 million) and the S.I.M.A. shares (€8.2 million), in order to return the carrying amount at 31 December 2010 to the value in use.*

*(3) The option purchased on a project to exploit a manganese deposit in Namibia was provisioned in 2009 for €13.4 million since the project was abandoned.*

## NOTE 2. Schedule of receivables

| (in thousands of euros) | Gross amount 31/12/2010 | 1 year or less | Over 1 year | On 31/12/2009 |
|---|---|---|---|---|
| Receivables on investments in associates (1) | 424,736 | 424,736 | 0 | 549,121 |
| Employee loans | 0 | 0 | 0 | 0 |
| Pension plan assets (2) | 477 | 477 | 0 | 3,926 |
| Other investments | 27,125 | 27,125 | 0 | 30,638 |
| Trade receivables | 103,979 | 103,050 | 928 | 88,874 |
| Other receivables (3) | 24,876 | 24,876 | 0 | 26,188 |
| Prepaid expenses | 6,445 | 6,445 | 0 | 1,543 |
| **Total** | **587,639** | **586,710** | **928** | **700,292** |

(1) *Receivables on investments in associates: loans to Group companies:*

| (in thousands of euros) | 31/12/2010 | 31/12/2009 |
|---|---|---|
| Strand Minerals Ltd | 153,698 | 88,424 |
| ERAMET Norway | 0 | 27,000 |
| CFED | 21,749 | 21,569 |
| GCMC | 37,639 | 34,895 |
| ERAMET Holding Manganese | 24,303 | 203,337 |
| ERAMET Research | 4,180 | 3,199 |
| S.I.M.A. | 121,235 | 125,464 |
| Erasteel SAS | 60,750 | 45,131 |
| Eramine SAS | 1,161 | 0 |
| Miscellaneous | 22 | 101 |
| **Total** | **424,736** | **549,121** |

(2) *Excess contribution to defined benefit supplementary pension plan.*

(3) *Other receivables include, among others, a receivable net of tax from the companies of €5 million connected with tax consolidation and payments of €12.3 million on development projects, provisioned for €10.9 million.*

## NOTE 3. Cash & cash equivalents

Solely comprised of demand bank accounts.

## NOTE 4. Prepaid expenses and accruals

| (in thousands of euros) | 31/12/10 | 31/12/09 |
|---|---|---|
| Prepaid expenses (1) | 6,445 | 1,543 |
| Deferred debt issue costs | 25 | 92 |
| Translation adjustments: loss | 0 | 0 |
| **Total** | **6,470** | **1,635** |

(1) *Prepaid insurance premiums and mounted to €1.4 million (compared with €1.3 million at 31 December 2009). The increase is due to the premiums paid on nickel hedging. No such premium was paid at 31 December 2009; those premiums amounted to €4.5 million at 31 December 2010.*

## NOTE 5. Shareholders' equity

The share capital breaks down as follows:

| | 31/12/2010 | 31/12/2009 |
|---|---|---|
| AREVA | 25.69% | 25.63% |
| SORAME/CEIR | 36.89% | 36,44% |
| STCPI | 4.04% | 4.06% |
| Miscellaneous | 33.38% | 33.87% |
| **Total** | **100%** | **100%** |

The agreement of 17 June 1999, which expired on 30 June 2006, has been tacitly extended for one-year periods. On 29 May 2008, the shareholders (SORAME and CEIR) and AREVA announced the signing of an amendment to the Shareholders' Agreement. The amended shareholders' agreement, initially entered into for a term expiring on 31 December 2009, is tacitly renewable for six-month periods, unless one of the parties gives fifteen calendar days' notice of termination. It was renewed for six months as from 1 January 2011.

Among other official notifications concerning this Shareholders' Agreement (including a sub-agreement between SORAME and CEIR), which constitutes an agreement to act in concert, prior approval notice 199CO577 was issued on 18 May 1999 by the French Financial Markets Board (CMF). For the amendment of 29 May 2008, the AMF issued approval and notice No. 208C1042.

Since 1 January 2002, registered shares meeting the required conditions have qualified for double voting rights.

ERAMET's distributable reserves amounted to €1,032 million prior to the allocation of 2010 earnings (€1,079 million at 31 December 2009).

| *(in thousands of euros)* | Number of shares | Share capital | Premiums, reserves & retained earnings | Profit for the year | Total |
|---|---|---|---|---|---|
| **Shareholders' equity as at 31/12/2008** | **26,215,231** | **79,956** | **1,077,824** | **148,159** | **1,305,940** |
| Dividends paid | | | (135,751) | | (135,751) |
| Carried forward to retained earnings and reserves | | | 148,159 | (148,159) | (0) |
| Withholding tax | | | | | 0 |
| Other transactions | (252,885) | (771) | (51,070) | | (51,841) |
| Proceeds from share capital increases in cash | 19,979 | 61 | 1,110 | | 1,171 |
| Proceeds from share capital increases by incorporation of reserves | | | | | 0 |
| Contributions in cash | | | | | 0 |
| Dividends paid in shares | | | | | 0 |
| Share capital increases in kind | 387,488 | 1,182 | 46,382 | | 47,564 |
| Profit (loss) for the 2009 financial year | | | | (29,942) | (29,942) |
| **Shareholders' equity as at 31/12/2009** | **26,369,813** | **80,428** | **1,086,653** | **(29,942)** | **1,137,140** |
| Dividends paid | | | (47,324) | | (47,324) |
| Carried forward to retained earnings and reserves | | | (29,942) | 29,942 | 0 |
| Withholding tax | | | | | 0 |
| Other transactions | | | | | 0 |
| Proceeds from share capital increases in cash | 13,688 | 42 | 843 | | 885 |
| Proceeds from share capital increases by incorporation of reserves | | | | | 0 |
| Contributions in cash | | | | | 0 |
| Dividends paid in shares | 129,965 | 396 | 29,407 | | 29,804 |
| Share capital increases in kind | | | | | 0 |
| Profit (loss) for the 2010 financial year | | | | 146,112 | 146,112 |
| **Shareholders' equity as at 31/12/2010** | **26,513,466** | **80,866** | **1,039,638** | **146,112** | **1,266,617** |

# NOTE 6. Treasury shares

ERAMET SA held 103,851 treasury shares (81,732 shares at 31 December 2009).

The table below summarises treasury share transactions:

| | Number of shares | Price support | Grants to employees | Other purposes | Total |
|---|---|---|---|---|---|
| **Position as at 31/12/2007** | | **5,000** | **-** | **335,786** | **340,786** |
| As a percentage of share capital | 25,905,621 | 0.02% | - | 1.30% | 1.32% |
| Purchases | | 210,141 | - | - | 210,141 |
| Sales | | (161,452) | - | - | (161,452) |
| **Position as at 31/12/2008** | | **53,689** | **-** | **335,786** | **389,475** |
| As a percentage of share capital | 26,215,231 | 0.20% | - | 1.28% | 1.49% |
| Allocated to stock options/bonus shares: | | | | | |
| • grants/bonus shares – 2007 Plans | | - | - | (25,830) | (25,830) |
| • grants/future bonus shares | | - | 32,106 | (32,106) | - |
| Purchases | | 241,360 | - | - | 241,360 |
| Sales | | (245,423) | - | - | (245,423) |
| Share cancellations/capital reduction | | - | - | (252,885) | (252,885) |
| Share allocation/acquisition of Eralloys non-controlling interests | | - | - | (24,965) | (24,965) |
| **Position as at 31/12/2009** | | **49,626** | **32,106** | **-** | **81,732** |
| As a percentage of share capital | 26,369,813 | 0.19% | 0.12% | - | 0.31% |
| Purchases | | 269,075 | 23,610 | - | 292,685 |
| Sales | | (270,566) | - | - | (270,566) |
| **Position as at 31/12/2010** | | **48,135** | **55,716** | **-** | **103,851** |
| As a percentage of share capital | 26,513,466 | 0.18% | 0.21% | - | 0.39% |

The balance of 103,851 shares corresponds to:

- the shares purchased under the share price support agreement with Exane BNP Paribas and not yet registered at the date of drawing up the table;
- shares intended to be allocated under the bonus-share allocation Plans.

# NOTE 7. Provisions for impairment of current assets

| *(in thousands of euros)* | 31/12/2009 | Provisions | Reversals | 31/12/2010 |
|---|---|---|---|---|
| Raw materials | | | | |
| Other supplies [(1)] | 3,883 | 3,839 | (3,883) | **3,839** |
| Trade receivables | 769 | | | **769** |
| Miscellaneous receivables [(2)] | 10,294 | 587 | (8) | **10,873** |
| **Total** | **14,947** | **4,426** | **(3,892)** | **15,481** |

*(1) Spare parts inventories are fully provisioned when they exceed one year's supply.*

*(2) The costs recognised for projects in progress were provisioned in 2009 (chiefly €9.1 million covering the project to exploit a manganese deposit in Namibia), since the project was abandoned.*

# NOTE 8. Provisions

| *(in thousands of euros)* | 31/12/2009 | Provisions | Reversals: Used during the financial year | Reversals: Unused during the financial year | Reclassification | 31/12/2010 |
|---|---|---|---|---|---|---|
| Provisions for price increases | 65,997 | 16,500 | (12,829) | 0 | 0 | 69,668 |
| Extraordinary amortisation and depreciation (1) | 8,349 | 2,639 | (484) | 0 | 0 | 10,504 |
| Provisions for restoring mining deposits | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total regulated provisions** | **74,346** | **19,139** | **(13,313)** | **0** | **0** | **80,172** |
| Foreign currency losses | | | | | | |
| Employees (2) | 4,871 | 3,996 | (318) | 0 | (3,449) | 5,101 |
| Environment (3) | 76 | 772 | (76) | 0 | 0 | 772 |
| Sector contingencies | 0 | 0 | 0 | 0 | 0 | 0 |
| Taxes | 0 | 0 | 0 | 0 | 0 | 0 |
| Other provisions for contingencies (4) | 9,943 | 1,384 | (3,839) | 0 | 0 | 7,488 |
| Other provisions for losses (5) | 1,441 | 8,495 | 0 | 0 | (7,218) | 2,718 |
| **Total provisions for contingencies and losses** | **16,331** | **14,647** | **(4,233)** | **0** | **(10,667)** | **16,078** |
| **Provisions for liabilities** | **90,677** | **33,786** | **(17,546)** | **0** | **(10,667)** | **96,250** |

*(1) A net provision of €0.5 million to cover the Sandouville assets and excess depreciation of €1.7 million, first, on the acquisition costs capitalised with the Tinfos shares and secondly, on the basis of the tax-assessed value of the real-estate complex acquired by exercising the finance-leasing option on the 53rd floor of the Tour Maine-Montparnasse in Paris.*

*(2) ERAMET recognises provisions for pension and related liabilities on the basis of an actuarial appraisal by an outside firm. Detailed calculations were carried out at 31 December 2010. The excess payment of defined benefit supplementary pension plan contributions was reclassified under other investments.*

*(3) €0.8 million provision recognised to clear the drainage channel at the Sandouville plant before its sale back to the Port Autonome du Havre (Le Havre Port authority).*

*(4) The provision for financial contingencies mainly relates to the potential loss on the Metal Securities bond portfolio secured by ERAMET.*

*(5) The provision for loss was recognised in connection with the bonus share allocation Plans resolved-on at the Board meeting on 29 July 2009 and at the Shareholders' General Meeting of 20 May 2010 (see Section 5.3.7.).*

# NOTE 9. Employee liabilities

## 9.1. PENSION AND RELATED LIABILITIES ON 31 DECEMBER 2010

| (in thousands of euros) | Fair value of plan assets | Actuarial value of liabilities | Financial position surplus/(deficit) |
|---|---|---|---|
| Pension plan | 40,837 | 46,157 | (5,320) |
| Retirement indemnities | 2,079 | 4,687 | (2,608) |
| Awards and bonuses | | 2,571 | (2,571) |
| Healthcare plans | | 2,732 | (2,732) |
| **Total** | **42,916** | **56,147** | **(13,231)** |

| (in thousands of euros) | Unrecognised actuarial gains/losses | Unrecognised past service | Balance sheet provision (Assets)/liabilities |
|---|---|---|---|
| Pension plan | 4,268 | 1,458 | (406) |
| Retirement indemnities | 1,135 | 1,474 | (1) |
| Awards and bonuses | | | 2,571 |
| Healthcare plans | 273 | | 2,459 |
| **Total** | **5,676** | **2,932** | **4,623** |

## 9.2. ACTUARIAL ASSUMPTIONS

| | |
|---|---|
| Discount rate | 4.9% |
| Inflation rate | 2% |
| Salary increase rate | 3.1% |
| Return on plan financial assets | 4% |

## 9.3. BREAKDOWN OF PENSION FUND INVESTMENTS

| (in thousands of euros) | Equities | Bonds | Other investments | Total |
|---|---|---|---|---|
| Amounts | 7,304 | 33,472 | 2,140 | 42,916 |
| Percentage | 17% | 78% | 5% | 100% |

## 9.4. CHANGE IN PENSION LIABILITIES

| (in thousands of euros) | FY 2010 |
|---|---|
| **FY at 1 January** | **944** |
| Expenses recognised | **3,925** |
| • Service cost | **871** |
| • Net interest expense | **2,159** |
| • Return on plan assets | **(1,867)** |
| • Depreciation and amortisation of actuarial gains and losses and past service cost | **2,762** |
| • Other | |
| Contributions paid | **(246)** |
| Translation differences and other movements | **-** |
| **At end of period** | **4,623** |

The balance of €4.6 million breaks down into a provision for contingencies and losses of €5.1 million and pension-scheme assets of €0.5 million in the balance sheet of ERAMET SA as at 31 December 2010.

# NOTE 10. Breakdown of liabilities and due dates

| Net amount *(in thousands of euros)* | 31/12/2010 | Up to 1 year | From one to 5 years | Over five years |
|---|---|---|---|---|
| Borrowings from credit institutions | **329** | 329 | | |
| Miscellaneous long-term borrowings (1) | **662,797** | 662,797 | | |
| Trade payables (2) | **209,220** | 209,220 | | |
| Tax and payroll liabilities | **14,597** | 14,597 | | |
| Liabilities on non-current assets and related payables | **1,657** | 1,657 | | |
| Group and associates | | 0 | | |
| Other miscellaneous liabilities (3) | **9,485** | 9,485 | | |
| Unearned income | **20** | 20 | | |
| **Total** | **898,107** | **898,107** | **0** | **0** |

*(1) ERAMET is financed by Metal Securities, its 87.92%-owned subsidiary. The amount of this financing at 31 December 2010 is €663 million (compared with €932 million at 31 December 2009), chiefly through repayment of loans granted for purposes of acquiring the Tinfos group.*

*(2) The Company's Supplier payables outstanding from more than 60 days per invoice date amount to €280,000.*

*(3) In 2010, the tax-consolidated French subsidiaries paid corporate income-tax instalments to ERAMET SA exceeding the corporate income tax payable by €7.2 million.*

## 10.1 MISCELLANEOUS BORROWINGS

| Net amount *(in thousands of euros)* | 31/12/2010 | 31/12/2009 |
|---|---|---|
| Current accounts with Metal Securities | **662,708** | 932,451 |
| Deposits received | **90** | 329 |
| Miscellaneous | **0** | 45 |
| **Total** | **662,797** | **932,825** |

# NOTE 11. Breakdown of liabilities and accrued expenses

| Gross amount *(in thousands of euros)* | 31/12/2010 | 31/12/2009 |
|---|---|---|
| Miscellaneous borrowings | **662,797** | 932,825 |
| Trade payables | **209,220** | 118,331 |
| Tax and payroll liabilities | **14,597** | 11,216 |
| Liabilities on non-current assets | **1,657** | 973 |
| Other miscellaneous liabilities | **9,485** | 11,762 |
| Unearned income | **20** | 20 |
| Translation adjustments: gain | **0** | 0 |
| **Total** | **897,777** | **1,075,127** |

## NOTE 12. Items relating to associates

| Net amount *(in thousands of euros)* | 31/12/2010 | 31/12/2009 |
|---|---|---|
| **Balance sheet** | | |
| Investments in associates | **1,636,283** | 1,635,148 |
| Financial receivables | **424,736** | 549,121 |
| Trade receivables | **3,053** | 24,980 |
| Miscellaneous receivables | **1,677** | 2,789 |
| Miscellaneous financial borrowings | **(662,797)** | (932,780) |
| Trade payables | **168,409** | 81,736 |
| Other liabilities | **(7,173)** | (9,835) |
| **Income statement** | | |
| Financial income | **90,556** | 136,559 |
| Financial expenses | **(12,530)** | (9,445) |

## NOTE 13. Sales

| *(in thousands of euros)* | Total | France | International |
|---|---|---|---|
| Sales of goods and merchandise [(1)] | 1,010,587 | 42,009 | 968,578 |
| Income from ancillary activities | 56,426 | 19,667 | 36,759 |
| **Total sales** | **1,067,012** | **61,676** | **1,005,337** |

*(1) Sales included a foreign currency loss of €16.6 million resulting primarily from USD hedging.*

## NOTE 14. Increases and reductions in future tax liabilities

| *(in thousands of euros)* | 31/12/2010 |
|---|---|
| **Increases in taxable base** | |
| • Regulatory provisions | **80,172** |
| • Translation adjustment losses at close | |
| • Deferred expenses | |
| **Reductions in taxable base** | |
| • Provisions not deductible during the fin. period of recognition | **(112,925)** |
| • Accrued expenses | **(53)** |
| • Translation adjustment gains at close | |
| • Unrealised financial income | |
| • Tax loss carry-forwards | **(97,102)** |
| **Net reduction in taxable base** | **(129,908)** |
| **Increase in future taxation** | **(44,727)** |
| | **34%** |

## BREAKDOWN OF INCOME TAX

| *(in thousands of euros)* | Gross amount | Tax owed | Profit (loss) for the period |
|---|---|---|---|
| Current profit (loss) | 65,895 | 0 | 65,895 |
| Extraordinary items | 74,544 | 0 | 74,544 |
| Employee profit-sharing and incentives | (4,228) | 0 | (4,228) |
| Tax consolidation in France and research tax credit | 0 | 9,900 | 9,900 |
| **Total** | **136,212** | **9,900** | **146,112** |

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.

As a result of tax consolidation, the income tax line item broke down as follows: +€5.8 million of income tax for the tax-Consolidated group (of which +€5 million of 2010 research tax credit for the Group and a +€0.8 million adjustment of 2009 Group tax credit), +€8.9 million of income from tax consolidation (2010 income tax for tax-consolidated subsidiaries) and -€4.8 million of tax consolidation expenses (tax credits passed on to subsidiaries: -€0.5 million in adjustment for 2009 and -€4.3 million of research tax credit in 2010).

## NOTE 15. Tax consolidation

All French subsidiaries that are at least 95% owned are consolidated for tax purposes, ERAMET being the Group parent.

Tax consolidation in France is comprised of the following companies.

| Tax-consolidated companies | 31/12/2010 | 31/12/2009 | 31/12/2008 |
|---|---|---|---|
| Consolidated companies | | | |
| ERAMET | x | x | x |
| Metal Currencies | x | x | x |
| Metal Securities | x | x | x |
| ERAMET Holding Nickel (EHN) | x | x | x |
| Eurotungstène Poudres | x | x | x |
| ERAMET Holding Manganèse (EHM) | x | x | x |
| Société Industrielle de Métallurgie Avancée (S.I.M.A.) | x | x | x |
| ERAMET Alloys | x | x | x |
| Aubert & Duval (AD) | x | x | x |
| Airforge | x | x | x |
| Erasteel | x | x | x |
| Erasteel Commentry | x | x | x |
| Erasteel Champagnole | x | x | x |
| Non-consolidated companies | | | |
| ERAMET International | x | x | x |
| ERAMET Ingénierie (ex TEC) | x | x | x |
| ERAMET Research (ex CRT) | x | x | x |
| Eramine | x | x | x |
| Forges de Montplaisir | x | x | x |
| Supa | x | x | x |
| Transmet | x | x | x |
| Brown Europe | x | x | x |

Eligible Group losses from tax consolidation utilisable at 31 December 2010 amounted to €105.8 million.

## NOTE 16. Net financial income

| (thousands of euros) | 31/12/2010 | 31/12/2009 |
|---|---|---|
| Dividends from associates (1) | 81,152 | 127,736 |
| Interest from associates (2) | 9,404 | 8,871 |
| Other dividends and interest | 270 | 1,081 |
| Reversal of provisions (3) | 34,039 | 34,211 |
| Foreign currency gains (4) | 6,153 | 21,354 |
| **Financial income** | **131,017** | **193,252** |
| Depreciation and amortisation expense and allocation to provisions (3) | (1,384) | (124,849) |
| Interest and similar expenses (5) | (14,095) | (10,183) |
| Foreign currency losses (4) | (18,959) | (30,056) |
| Net losses on disposal of marketable securities | 0 | (479) |
| **Financial expenses** | **(34,438)** | **(165,567)** |
| **Income from financing activities** | **96,579** | **27,685** |

*(1) Dividends from the Nickel Division (€8.2 million), the Manganese Division (€68.3 million) and S.I.M.A. (€4.6 million).*

*(2) Interest income on Group current-account loans (€9.4 million).*

*(3) Net reversal of the provision for financial contingencies covering the potential loss on the Metal Securities bond portfolio secured by ERAMET: +€2.4 million. Reversal of provision on Erasteel SAS of +€22 million and reversal of provision on S.I.M.A. shares of +€8.2 million.*

*(4) Net difference on exchange of -€12.8 million of which -€12.6 million due to the getting transaction on the Weda Bay shares.*

*(5) Of which interests with Metal Securities of -€12.5 million.*

## NOTE 17. Extraordinary items

| (in thousands of euros) | 31/12/2010 | 31/12/2009 |
|---|---|---|
| Income on management operations | 1 | 0 |
| Gains on share capital transactions (1) | 85,934 | 93,113 |
| Reversal of provisions and expense transfer (2) | 13,362 | 453 |
| **Extraordinary gains** | **99,297** | **93,566** |
| Expenses on management operations | (4) | 1 |
| Expenses on share capital transactions (1) | (4,992) | (94,144) |
| Extraordinary depreciation and amortisation expense and allocation to provisions (3) | (19,757) | (44,868) |
| **Extraordinary losses** | **(24,753)** | **(139,010)** |
| **Extraordinary items** | **74,544** | **(45,444)** |

*(1) In December 2010, 50,583 Comilog S.A. shares were sold to the Gabonese State, generating a gain of 80.9 million.*

*(2) Reversal of €13.3 million in regulated provisions of which €12.8 million of provisions for price increases.*

*(3) €19.1 million of regulated provisions recognised (of which price-increase provisions of €16.5 million) and provisions of €0.6 million recognised on miscellaneous receivables.*

## NOTE 18. Workforce

| | FY 2010 | FY 2009 |
|---|---|---|
| Management | 152 | 146 |
| Supervisory staff | 230 | 238 |
| **Workforce at end of period** | **382** | **384** |
| **Average payroll** | **381** | **383** |

# NOTE 19. **Off-balance-sheet commitments**

| *(in thousands of euros)* | 31/12/2010 | 31/12/2009 |
|---|---|---|
| **Commitments given** | | |
| Endorsements, pledges and guarantees | 76 | 76 |
| Collateral security | Nil | Nil |
| Forward/future sales in USD | 172,696 | 161,593 |
| **Commitments received** | | |
| Endorsements, pledges and guarantees | Nil | Nil |
| Collateral security | Nil | Nil |
| Multi-currency syndicated loan | 600,000 | 600,000 |
| Forward/future purchases in USD | 0 | 0 |
| **Reciprocal commitments** | | |
| Currency hedge via Me*tal* Currencies | 82,182 | 57,462 |

The above table does not include current business orders or liabilities stemming from orders for non-current assets as part of capital expenditure programmes.

# NOTE 20. **Risk management**

## 20.1. FOREIGN CURRENCY RISK

ERAMET has two levels of exposure to currency risk:

- All Nickel earnings are invoiced in currency (for the most part in US dollars), whereas its costs are mainly denominated in euros (Sandouville plant expenses and purchases of nickel and matte from SLN). Accordingly, hedging transactions are performed on the basis of multi-year budgets and forecasts, within a maximum 36-month horizon.

  Under the technical-support arrangements between ERAMET and its SLN subsidiary, all commercial hedging is performed on behalf of SLN, to which it is re-invoiced directly under the marketing agreement.
- For all other currency transactions, particularly long-term loans to Group companies, ERAMET may be required to provide currency hedging according to loan maturity. At 31 December 2010, only the loan to Strand Minerals Indonesia was currency-hedged.

## 20.2. COMMODITY RISK

ERAMET is exposed to commodity price volatility, impacting its sales. ERAMET hedges part of its nickel sales on the basis of 1- or 2-year budget forecasts. The hedges in question are contracted on behalf of SLN, which produces ferronickel and matte. Under the technical-support agreement, the profit or loss on these hedges is passed on in the monthly invoicing to SLN. At 31 December 2010, 7,674 tonnes were hedged for a fair value of (US$1,400 thousand) [for record, in 2009: 3,114 tonnes for a fair value of (US$255 thousand)] plus an option on 2,472 tonnes maturing in 2012, exercisable by the counterparty in November 2011, with a nil fair value at 31 December 2010. ERAMET mainly uses forward transactions, combined call and put options (collars) and call options.

## 20.3. CREDIT OR COUNTERPARTY RISK

ERAMET's counterparty risks mainly arise on its commercial transactions and hence, on trade receivables. ERAMET may thus be exposed to credit risk in the event of default by a counterparty. ERAMET has various means at its disposal to limit counterparty risk, for which the maximum exposure is equal to the net amount of receivables recognised in the balance sheet: gathering information ahead of financial transactions (from rating agencies, published financial statements, etc.), credit insurance and the arrangement of letters of credit and documentary credits to hedge certain specific inherent risks, such as the geographic location of its customers. In any event, ERAMET's customer base is primarily comprised of leading international metallurgy groups for which insolvency risks are limited.

## 20.4. INTEREST RATE RISK

At 31 December 2010, ERAMET had no interest rate hedges covering its net debt. Its surpluses invested with Metal Securities are remunerated at market (variable) rates.

## 20.5. LIQUIDITY RISK

Measured Group-wide, ERAMET's financial situation renders it relatively immune to liquidity risk: ERAMET SA net debt at 31 December 2010 amounted to €233.1 million (compared with €382.1 million at 31 December 2009). The whole of its indebtedness is towards Metal Securities, the Group's special-purpose company, in charge of pooling and managing Group surpluses.

Furthermore, the company may if necessary resort to any of the following three additional sources of financing:

### 20.5.1. REVOLVING CREDIT FACILITIES

In 2005, ERAMET entered into a five-year agreement with a select group of banks for a €600 million multi-currency revolving credit facility, with the option of extending it to seven years. In accordance with the terms of the facility, the ERAMET Group twice requested a one-year extension of the facility by the lenders, in 2006 and 2007. The expiry of this facility has thus been postponed to 24 May 2012. The interest rate applicable to the sums borrowed is the benchmark rate, depending on the borrowing currency, plus the applicable spread. The spread is reduced on a sliding basis in line with the financial ratio of consolidated net debt to shareholders' equity. In addition, ERAMET pays a commitment fee of 30-32.5% of the applicable spread.

This revolving credit facility includes a default clause linked to the net debt to shareholders' equity ratio. Considering the Group's positive net cash position, this ratio was wholly complied-with at 31 December 2010, as it was at 31 December 2009. If the Group fails to comply with the ratio, all or part of its loans must be repaid.).

On 18 January 2011, ERAMET has renewed its credit facility to €800 million maturing in 2016.

### 20.5.2. COMMERCIAL PAPER

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

Owing to the cash surplus on both 31 December 2009 and 31 December 2010, neither the revolving credit facility nor the commercial paper programme were used.

### 20.5.3. REPOS

On 20 December 2010, ERAMET renewed a commitment to set up a repo programme. The drawdown amount is €234 million, with a renewable three-month maturity. The line is confirmed. No amount was drawn down at 31 December 2010.

## NOTE 21. Property finance leases

Not applicable.

## NOTE 22. Consolidation of the corporate financial statements

The Company is consolidated within the ERAMET Group, of which it is the parent company.

## NOTE 23. Compensation of management and supervisory bodies

| *(in thousands of euros)* | FY 2010 | FY 2009 |
|---|---|---|
| **Short-term benefits** | | |
| Fixed remuneration | **2,700** | 2,672 |
| Variable remuneration | **1,779** | 1,279 |
| Directors' fees | **398** | 383 |
| **Other benefits** | | |
| Post-employment benefits | **73** | 824 |
| **Total** | **4,951** | **5,157** |

The ten highest paid individuals received a total of €4.5 million in 2010.

# NOTE 24. **Share subscription and purchase options, bonus shares**

## 24.1. SHARE SUBSCRIPTION OPTIONS

| | Date of Shareholders' General Meeting | Date of Board meeting | Subscription price | Number of beneficiaries at origin | Number of beneficiaries at 01/01/2010 | Granted at origin | Exercised or lapsed before 01/01/2010 | Exercised in 2010 | Lapsed in 2010 | Outstanding as from 01/01/2011 | Number of beneficiaries at 01/01/2011 | Plans expiry date |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 23/05/2002 | 15/12/2004 | EUR 64.63 | 81 | 32 | 130,000 | (86,560) | (13,688) | - | 29,752 | 25 | 15/12/2012 |
| **Total** | | | | | | **130 000** | **(86,560)** | **(13,688)** | **-** | **29,752** | | |

*Exercisable only as from 12 December 2006. The shares may not be sold before 14 December 2008.*

## 24.2. BONUS SHARES

| | Date of Shareholders' General Meeting | Date of Board meeting | Subscription price | Number of beneficiaries at origin | Number of beneficiaries at 01/01/2010 | Granted at origin | Exercised or lapsed before 01/01/2010 | Exercised in 2010 | Lapsed in 2010 | Outstanding as from 01/01/2011 | Number of beneficiaries at 01/01/2011 | Plans expiry date |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 11/05/2005 | 25/04/2007 | free | 1 | - | 10,000 | (10,000) | - | - | - | - | - |
| 2 | 11/05/2005 | 23/07/2007 | free | 61 | - | 16,000 | (16,000) | - | - | - | - | - |
| 3 | 13/05/2009 | 29/07/2009 | free | 14,766 | 14,766 | 73,830 | - | - | (3,285) | 70,545 | 14,109 | 29/07/2011 |
| 4 | 20/05/2010 | 20/05/2010 | free | 14,536 | - | 29,072 | - | - | (256) | 28,816 | 14,408 | 20/05/2013 |
| 5 | 20/05/2010 | 20/05/2010 | free | 162 | - | 65,008 | - | - | - | 65,008 | 162 | 20/05/2013 |
| **Total** | | | | | | **193,910** | **(26,000)** | **-** | **(3,541)** | **164,369** | | |

*Final vesting date: 1 = 25 April 2009, 2 = 23 July 2009, 3 = 29 July 2011 and 4 & 5 = 20 May 2013.*

*The shares may not be sold prior to: 1 = 25 April 2011, 2 = 23 July 2011,3 = 29 July 2013 and 4 & 5 = 20 May 2015.*

# NOTE 25. **Individual training rights**

Individual training rights vesting over a full year amount to 20 hours per full-time employee and pro rata for those working part-time or beginning during the year.

Taking into account the size of the workforce at 31 December 2010, individual training rights amounted to 32,289 hours (25,634 hours at 31 December 2009).

# NOTE 26. **Other information**

Carlo Tassara France (a company belonging to Mr Romain Zaleski's group) holds 3,394,146 shares in ERAMET (equivalent to 12.87% of its capital at 31 December 2009), on the basis of an estimate using the latest declaration of the crossing of a significant-shareholding threshold by the first-mentioned company (No. 207C0134 of 17 January 2007).

On 17 December 2009, Carlo Tassara France issued a writ against the S.I.M.A., SORAME and ERAMET companies, together with members of the Duval family, summoning them to appear at the Paris Commercial Court. The writ of summons states that the action is being brought in the presence of ERAMET. In its writ of summons, Carlo Tassara France claims first, that the S.I.M.A. group's presentation to the ERAMET shareholders in 1999 misled those shareholders by concealing from them the indebtedness of SMC, a 38.5%-held subsidiary of S.I.M.A., consolidated not fully, but by the equity method (as an associate company), whereas S.I.M.A. is stated to have concealed from both the appraisal auditors for the transfer of assets *(commissaires aux apports)* and the ERAMET shareholders that it had full control of that subsidiary. Secondly, Carlo Tassara France challenges the terms on which ERAMET financed SMC through the intermediary of S.I.M.A. from 1999 to 2002 (at which date, SMC filed for bankruptcy), by loans alleged to have been granted unlawfully for lack of their having received prior authorisation from the ERAMET Board of Directors; the claimant also requests the Court to find that those loans proved prejudicial to ERAMET and is applying to have Messrs. Édouard, Georges, Patrick and Cyrille Duval found jointly and severally liable to pay ERAMET a total sum of €76.4 million in damages.

Carlo Tassara France is seeking cancellation of the resolutions of the ERAMET Shareholders' General Meeting 21 July 1999 that approved the transfer of the S.I.M.A. shares to ERAMET, the cancellation of the ERAMET shares issued as consideration for the shares so transferred, the reduction of the ERAMET share capital to take account of the shares cancelled, the return of the dividends received by the holders of such shares since 1999 of an amount estimated by Carlo Tassara France at €201 million, and the return by ERAMET to the transferors of both the said S.I.M.A. shares and the dividends received from S.I.M.A. since 1999.

While the writ was not issued against ERAMET or its past or present management bodies, if the action succeeds, it is liable to have considerable repercussions for ERAMET since, besides a significant reduction in capital, it would entail S.I.M.A. – and hence, Aubert & Duval – leaving the Group. ERAMET recalls that the contributions of S.I.M.A. shares were approved by the ERAMET Extraordinary General Meeting of 21 July 1999, upon its being acquainted with the report by two appraisal auditors for the transfer appointed by the Chief Judge of the Paris Commercial Court, the report by the ERAMET Board of Directors of which the annex was signed as approved by the *Commission des opérations de Bourse* on 6 July 1999 (document No. E 99-944) and the fairness opinion attached to that document E.

In September 2010, the defendants lodged submissions in reply to the claims of Carlo Tassara France. The next hearing in the proceedings is scheduled for early February 2011.

## NOTE 27. Events after the balance sheet date

To the best of the Company's knowledge, no other events have arisen since the balance sheet date.

## 6.2.3. Table of subsidiaries and investments in associates

As of 31 December 2010

| *(in thousands of euros or thousands of foreign currency units, except XAF million)* | | Share capital | Equity other than share capital | Percentage interest in share capital | Gross book value of shares held | Carrying amount of shares held | Loans and advances made and still outstanding | Deposits, guarantees and endor-sements provided | Dividends received during the financial year | Sales earned for the latest completed financial year | Profit (loss) for the latest completed financial year |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Currency | Currency | % | EUR | EUR | EUR | EUR | EUR | Currency | Currency |
| **I - Detailed information on each stock (gross amount in excess of 1% of the Company's share capital)** | | | | | | | | | | | |
| **- Subsidiaries (at least 50% of share capital owned)** | | | | | | | | | | | |
| Eras | EUR | 2,000 | 0 | 100.00 | 1,986 | 1,986 | | | | 0 | 0 |
| ERAMET Ingénierie | EUR | 525 | 3,911 | 100.00 | 838 | 838 | | | | 8,410 | 218 |
| ERAMET Research | EUR | 1,410 | 5,767 | 100.00 | 1,161 | 1,161 | 4,180 | | | 16,874 | 2,059 |
| ERAMET International | EUR | 160 | 1,904 | 100.00 | 892 | 892 | | | | 9,755 | (154) |
| ERAMET Holding Nickel | EUR | 227,104 | 14,228 | 100.00 | 229,652 | 229,652 | | | 8,233 | 0 | 8,359 |
| Weda Bay Mineral Inc | USD | 81,376 | (19,647) | 100.00 | 95,945 | 95,945 | 22 | | | 0 | (1,431) |
| ERAMET Holding Manganèse | EUR | 310,156 | 198,003 | 100.00 | 310,156 | 310,156 | 24,303 | | | 0 | 103,104 |
| Eralloys Holding | NOK | 12,800 | 3,543,863 | 100.00 | 419,445 | 419,445 | | | | 0 | 2,858,067 |
| S.I.M.A. | EUR | 148,000 | 14,763 | 100.00 | 329,584 | 325,100 | 121,235 | | 4,625 | 4,538 | 3,926 |
| Erasteel | EUR | 15,245 | 58,291 | 100.00 | 143,169 | 50,169 | 60,750 | | | 51,902 | 310 |
| | | | | | **1,532,828** | **1,435,344** | | | | | |
| **- Investments in associates (10% to 50% owned)** | | | | | | | | | | | |
| Comilog | XAF | 40,812 | 84,340 | 24.59 | 56,557 | 56,557 | | | 68,294 | 457,815 | 120,213 |
| Tinfos | NOK | 3,088 | 168,640 | 33.35 | 46,751 | 46,751 | | | | 85,992 | 14,960 |
| **II - General information on other stocks (gross amount at most equal to 1% of the Company's share capital)** | | | | | | | | | | | |
| French subsidiaries | EUR | | | | 147 | 147 | 1,161 | | | | |
| Foreign subsidiaries | EUR | | | | | | | | | | |
| Investments in associates | EUR | | | | 706 | 706 | | | 0 | | |
| **Total** | | | | | **1,636,989** | **1,539,505** | **211,651** | **0** | **81,152** | | |

| | SIREN business identifier | Address of registered office |
|---|---|---|
| **I - Detailed information on each stock (gross amount exceeding 1% of the Company's share capital)** | | |
| **- Subsidiaries (at least 50% of share capital owned)** | | |
| Eras | N/A | 6B, route de Trèves – L-2633 Senningerberg – R. C. Luxembourg B 35.721 |
| ERAMET Ingénierie | 301 570 214 | 1, avenue Albert Einstein – 78190 Trappes – France |
| ERAMET Research | 301 608 634 | 1, avenue Albert Einstein – BP 120 – 78193 Trappes – France |
| ERAMET International | 398 932 939 | Tour Maine Montparnasse – 33, avenue du Maine – 75755 Paris Cedex 15 – France |
| ERAMET Holding Nickel | 335 120 515 | Tour Maine Montparnasse – 33, avenue du Maine – 75755 Paris Cedex 15 – France |
| Weda Bay Mineral Inc | N/A | 14th Floor, 220 Bay Street – Toronto Ontario, M5J2W4 – Canada |
| ERAMET Holding Manganèse | 414 947 275 | Tour Maine Montparnasse – 33, avenue du Maine – 75755 Paris Cedex 15 – France |
| Eralloys Holding | N/A | Eralloys Holding AS – Strandv 50 – 1366 Lysaker – Norway |
| S.I.M.A. | 562 013 995 | Tour Maine Montparnasse – 33, avenue du Maine – 75755 Paris Cedex 15 – France |
| Erasteel | 352 849 137 | Tour Maine Montparnasse – 33, avenue du Maine – 75755 Paris Cedex 15 – France |
| **- Investments in associates (10% to 50% owned)** | | |
| Comilog | N/A | Compagnie minière de l'Ogooué – Z.I. de Moanda – BP 27-28 – Gabon |
| Tinfos | N/A | O. H. Holtas Gate 21 – N-3678 Notodden – Norway |

## 6.2.4. Report of the Statutory Auditors on the Separate Financial Statements – Year Ended 31 December 2010

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 31 December 2010, on:

- the audit of the accompanying financial statements of ERAMET;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

### I. OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2010 and of the results of its operations for the year then ended in accordance with French accounting principles.

### II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of article L. 823-9 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we bring to your attention the following matters:

As stated in Note 5.3.2 of “Accounting principles, rules and methods” in the notes to the financial statements, the holdings in the subsidiaries are valued by taking into account the value of the net assets held and the prospects for profitability. Our work consisted in assessing the data and assumptions on which these estimates are based, and reviewing the calculations made by ERAMET. On these bases, we assessed the reasonable nature of these estimates.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

### III. SPECIFIC VERIFICATIONS AND INFORMATION

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L. 225-102-1 of the French Commercial Code *(Code de commerce)* relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Neuilly-sur-Seine, 4 March 2011

The Statutory Auditors

| Deloitte & Associés | Ernst & Young et Autres |
|---|---|
| Alain PENANGUER | Aymeric de la MORANDIÈRE |

# 6.2.5. Special Report of the Statutory Auditors on Related-Party Agreements and Commitments – Year Ended 31 December 2010

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report on certain related party agreements and commitments.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements and commitments indicated to us, or that we may have identified in the performance of our engagement. We are not required to comment as to whether they are beneficial or appropriate or to ascertain the existence of any such agreements and commitments. It is your responsibility, in accordance with Article R. 225-31 of the French Commercial Code *(Code de commerce)*, to evaluate the benefits resulting from these agreements and commitments prior to their approval.

In addition, we are required, where applicable, to inform you in accordance with Article R. 225-31 of the French Commercial Code *(Code de commerce)* concerning the implementation, during the last financial year, of the agreements and commitments already approved by the General Meeting of Shareholders.

We performed those procedures which we considered necessary to comply with professional guidance issued by the national auditing body *(Compagnie nationale des commissaires aux comptes)* relating to this type of engagement. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

## AGREEMENTS AND COMMITMENTS SUBMITTED FOR APPROVAL BY THE GENERAL MEETING OF SHAREHOLDERS

### AGREEMENTS AND COMMITMENTS AUTHORIZED DURING THE YEAR

We hereby inform you that we have not been advised of any agreements or commitments authorized in the course of the year to be submitted to the General Meeting of Shareholders for approval in accordance with Article L. 225-38 of the French Commercial Code *(Code de commerce)*.

### AGREEMENTS AND COMMITMENTS AUTHORIZED AFTER CLOSING

We have been advised of certain related party agreements and commitments which received prior authorization from your Board of Directors after closing.

#### With Le Nickel-SLN

With Mr Patrick Buffet (CEO), Mr Édouard Duval (member of the Board of Directors), Mr Bertrand Madelin (Deputy CEO), Mr Michel Quintard (member of the Board of Directors) and Mr Philippe Vecten (Deputy CEO)

##### a) Nature and purpose

Within the scope of a technical support agreement signed in 1999, your Company provides SLN-Le Nickel with general strategic, industrial, financial, tax and human resources management support. This agreement has been amended with retroactive effect as from 1 January 2010.

**Conditions**

The services are remunerated on the basis of the costs actually incurred by your Company in respect of these services, plus a margin of 8%.

The amount invoiced under this agreement is €9,229,000 for financial year 2010 compared to €11,460,000 in 2009.

##### b) Nature and purpose

The marketing agreement entered into in 1985 between your Company and Le Nickel SLN, under which your Company markets SLN-Le Nickel products (other than ore), has also been amended with retroactive effect as from 1 January 2010.

**Conditions**

Under this agreement, your Company bought nickel matte and ferronickel from Le Nickel-SLN at a purchase price allowing your Company to make a margin of 3%, plus a bonus for which the conditions of calculation and trigger threshold have been redefined. The total amount of purchases invoiced by Le Nickel-SLN amounted to €858,254,658 for financial year 2010, compared to €537,421,969 for financial year 2009.

Under this same agreement, your Company invoiced Le Nickel-SLN a payment for other expenses incurred that substitutes for the flat-rate royalty payment, intended to cover the fixed costs of processing nickel matte incurred by your Company prior to the marketing of finished products. The amount invoiced to Le Nickel-SLN stands at €24,825,464 for financial year 2010, compared to €28,512,000 for financial year 2009.

# AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE GENERAL MEETING OF SHAREHOLDERS

## AGREEMENTS AND COMMITMENTS APPROVED IN PRIOR YEARS

In accordance with Article R. 225-30 of the French Commercial Code *(Code de commerce),* we have been advised that the implementation of the following agreements and commitments which were approved in prior years continued during the year.

### With Mr Patrick Buffet, Mr Georges Duval, Mr Bertrand Madelin and Mr Philippe Vecten

#### Enrollment in the ERAMET group's supplementary health insurance plan and death and disability insurance plan

**Nature, purpose and conditions**

At the meeting held on 17 February 2010 the Board of Directors authorized the enrollment of corporate officers Mr Patrick Buffet, Mr Georges Duval, Mr Bertrand Madelin, and Mr Philippe Vecten in the Group's supplementary health insurance plan, and in the death and disability insurance plan.

All of the ERAMET employees are enrolled in these supplementary health insurance and death and disability insurance plans.

#### Defined-benefit pension plan

**Nature, purpose and conditions**

This plan, in compliance with Article 39 of the French Tax Code, is applicable to the ERAMET Group's corporate officers, and continued without change during the financial year 2010.

Neuilly-sur-Seine, 4 March 2011

The Statutory Auditors

| Deloitte & Associés | Ernst & Young et Autres |
|---|---|
| Alain PENANGUER | Aymeric de la MORANDIÈRE |

## 6.2.6. Table of the Company's financial results over the past five periods

| | | | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|---|
| **Share capital at year-end** | a) | Share capital | €78,936,727 | €79,012,144 | €79,956,455 | €80,427,930 | **€80,866,071** |
| | b) | Number of shares issued | 25,880,894 | 25,905,621 | 26,215,231 | 26,369,813 | **26,513,466** |
| **Transactions and profit (loss) for the year** *(in thousands of euros)* | a) | Sales excl. tax | 1,082,671 | 1,369,986 | 1,033,393 | 751,791 | **1,067,012** |
| | b) | Profit (loss) before tax, employee profit-sharing,depreciation, amortisation and provisions | 123,189 | 221,083 | 152,814 | 106,182 | **127,381** |
| | c) | Income tax | 3,534 | 22,027 | (20,076) | (6,433) | **(9,900)** |
| | d) | Employee profit-sharing | 0 | 0 | 0 | 0 | **0** |
| | e) | Profit (loss) after tax, employee profit-sharing,depreciation, amortisation and provisions | 144,198 | 206,516 | 148,159 | -29,942 | **146,112** |
| | f) | Proposed dividend | 75,055 | 155,434 | 137,630 | 47,466 | **92,797** |
| **Earnings per share** *(in euros)* | a) | Profit (loss) after tax, employee profit-sharing, but before depreciation, amortisation and provisions | 4.62 | 7.68 | 6.59 | 4.27 | **5.18** |
| | b) | Profit (loss) after tax, employee profit-sharing,depreciation, amortisation and provisions | 5.57 | 7.97 | 5.65 | (1.14) | **5.51** |
| | c) | Proposed dividend per share | 2,90 | 6,00 | 5,25 | 1,80 | **3,50** |
| **Personnel** | a) | Average number of employees | 336 | 347 | 369 | 383 | **381** |
| | b) | Total payroll *(in thousands of euros)* | 20,933 | 27,914 | 26,331 | 27,350 | **30,873** |
| | c) | Amounts paid out in employee benefits *(in thousands of euros)* | 8,983 | 10,165 | 11,250 | 15,478 | **22,105** |

# 6.3. CONSOLIDATED FINANCIAL STATEMENTS FOR 2009 AND 2008

Pursuant to Article 28 of (EC) Regulation No. 809/2004 of the Commission, the following information is included by reference in this Reference Document:

a) The 2009 consolidated financial statements, the corresponding audit report and the overview of the items included respectively in Sections 6.1, 6.1.3 et 2 of the 2009 Reference Document filed with the AMF on 16 April 2010;

b) The 2008 consolidated financial statements, the corresponding audit report and the overview of the items included respectively in Sections 20.1.1, 20.1.3 and 6 of the 2008 Reference Document filed with the AMF on 10 April 2009.

The sections of the 2009 and 2008 Reference Documents not included are therefore either of no relevance to investors or covered elsewhere in this Reference Document.

The two above-mentioned Reference Documents can be found on the Company's website (www.eramet.com) and on that of the AMF (www.amf-france.org).

# 6.4. DIVIDEND POLICY

## 6.4.1. Dividend payment arrangements

Dividends are paid annually at the timing and in the places specified by the General Shareholders' Meeting, or failing that by the Board of Directors, within nine months of the end of the financial year. Properly paid dividends cannot be repeated.

Interim dividend payments may be made prior to the date of the Meeting setting the amount thereof, at the initiative of the Board of Directors pursuant to the provisions of paragraph 2 of Article L. 232-12 of the French Commercial Code.

Shareholders may be given the option of payment wholly or partly in new Company shares, pursuant to the provisions of paragraph 1 of Article L. 232-18 of the French Commercial Code.

In accordance with applicable provisions in France, unclaimed dividends lapse five years from the date of payment.

Unclaimed amounts are paid over to the French State during the first 20 days of January of each year following that lapse, pursuant to the provisions of Articles L. 27 and R. 46 of the French Public Property Code.

## 6.4.2. Allocation and distribution of earnings (Article 25 of the Articles of Association)

"5% of earnings, as defined by law, less any past losses, where applicable, are withheld to make up the legal reserve, until such time as the reserve is equal to 10% of the share capital.

Distributable earnings consist of earnings for the financial year, less any past losses and the abovementioned withheld amount, plus any retained earnings. Out of the distributable earnings, the Ordinary General Shareholders' Meeting may deduct any sum it deems appropriate, either to be carried forward to the following financial year or to be added to one or more special or general reserves, of which it determines the allocation or use.

Any surplus is divided equally between all shares.

The General Shareholders' Meeting may grant each shareholder, for all or part of the dividend being distributed, the option to be paid in shares in the legally established manner, or in cash."

### BREAKDOWN OF 2010 EARNINGS ALLOCATION

The proposed allocation of the 2010 earnings appears in the second resolution proposed to the next Ordinary General Shareholders' Meeting, as detailed in Chapter 8 of this Document.

## 6.4.3. Dividend policy

### 6.4.3.1. POLICY APPLIED

#### PAYMENT ARRANGEMENTS

As the Company does not usually make interim payments, dividends are paid annually after the General Shareholders' Meeting called upon to approve the management activities and financial statements for the past period (in 2011: as from May 18, 2011).

Shareholders are sometimes given the option of mixed payments in cash and stock.

#### AMOUNT OF DIVIDEND

In recent years, the Company has endeavoured to pay a regular and substantial dividend. The proposed dividend is €3.50 per share.

### 6.4.3.2. DIVIDENDS PAID OUT OVER THE PAST FEW YEARS

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| Number of shares remunerated | **26,513,466** | 26,369,813 | 26,215,231 | 25,905,621 | 25,880,894 |
| Profit (loss) for the period, Group share | **€328 million** | €(265) million | €694 million | €582 million | €319 million |
| Dividends per share | **€3.50** | €1.80 | €5.25 | €6.00 | €2.90 |
| Total distribution | **€92.8 million** | €47 million | €137.6 million | €155 million | €75 million |

### 6.4.3.3. OUTLOOK

The Company plans to continue the policy initiated in previous years.

# 6.5. FEES PAID TO THE STATUTORY AUDITORS

## 6.5.1. Internal audit organisation

In recent years, the Group has asked the Company's Statutory Auditors in preference to audit its main global subsidiaries. However, for historical or practical reasons, other firms carry out audits as can be seen from the following table:

| *(in thousands of euros)* | 2010 | 2009 | 2008 |
|---|---|---|---|
| Ernst & Young | **1,580** | 1,279 | 1,325 |
| Deloitte & Associates | **1,482** | 1,270 | 1,550 |
| Other | **311** | 393 | 941 |
| **Total** | **3,373** | **2,942** | **3,816** |

## 6.5.2. Fees paid to the various auditors

Full details of all fees paid to the various audit firms for the last three years are broken down by type of service in Note 31 to the Consolidated Financial Statements.

# Corporate and share-capital information



7

# 7.1. MARKET IN THE COMPANY'S SHARES

## 7.1.1. Market on which shares are listed

The Company's shares were floated on the Second Market of the Paris Bourse (at a price of 310 Francs, approximately equivalent to €47.26) on 29 September 1994, following the decision of the Combined Ordinary and Extraordinary General Meeting of Shareholders on 15 June 1994 to carry out a five-to-one split.

With effect from 26 June 1995, the shares were transferred to the Official List (monthly settlement compartment).

The Company's shares are traded on the NYSE Euronext Paris market (ISIN code: FR 0000131757), where ERAMET is included in compartment A.

The stock is part of the SBF 80, 120 and 250 Euronext Paris indices. ERAMET was included in the DJ Stoxx 600 index in late 2007. ERAMET joined the Euronext Paris N 100 index on 2 January 2008. The stock was also included in the MSCI Standard Index on 6 May 2008. No securities of any other Group company are traded on any other stock exchange.

## 7.1.2. Share price performance

The ERAMET share rose 16% in 2010, with its price closing the year at €256.5, capitalising the company at €6.8 bn, in contrast with a fall of 3% over 2010 by the CAC 40 index.

The year's high for the share price was €298.4 on 7 April 2010, reaching its low on 25 August 2010 at €193.7.

Over the five years from 31 December 2005 to 31 December 2010, the ERAMET stock grew 217%, while over the same period, the Dow Jones Stoxx 600 Basic Resources Europe Index, composed of 25 mining and metallurgy stocks, rose 57%.

The ERAMET Group maintained a significant dividend of €1.80 per share en 2010 for the 2009 financial year (compared with €5.25 per share in 2009), despite a Group-share loss for the year, marking its confidence in its financial soundness and earnings prospects. This dividend was payable in shares or in cash, at the shareholders' option.

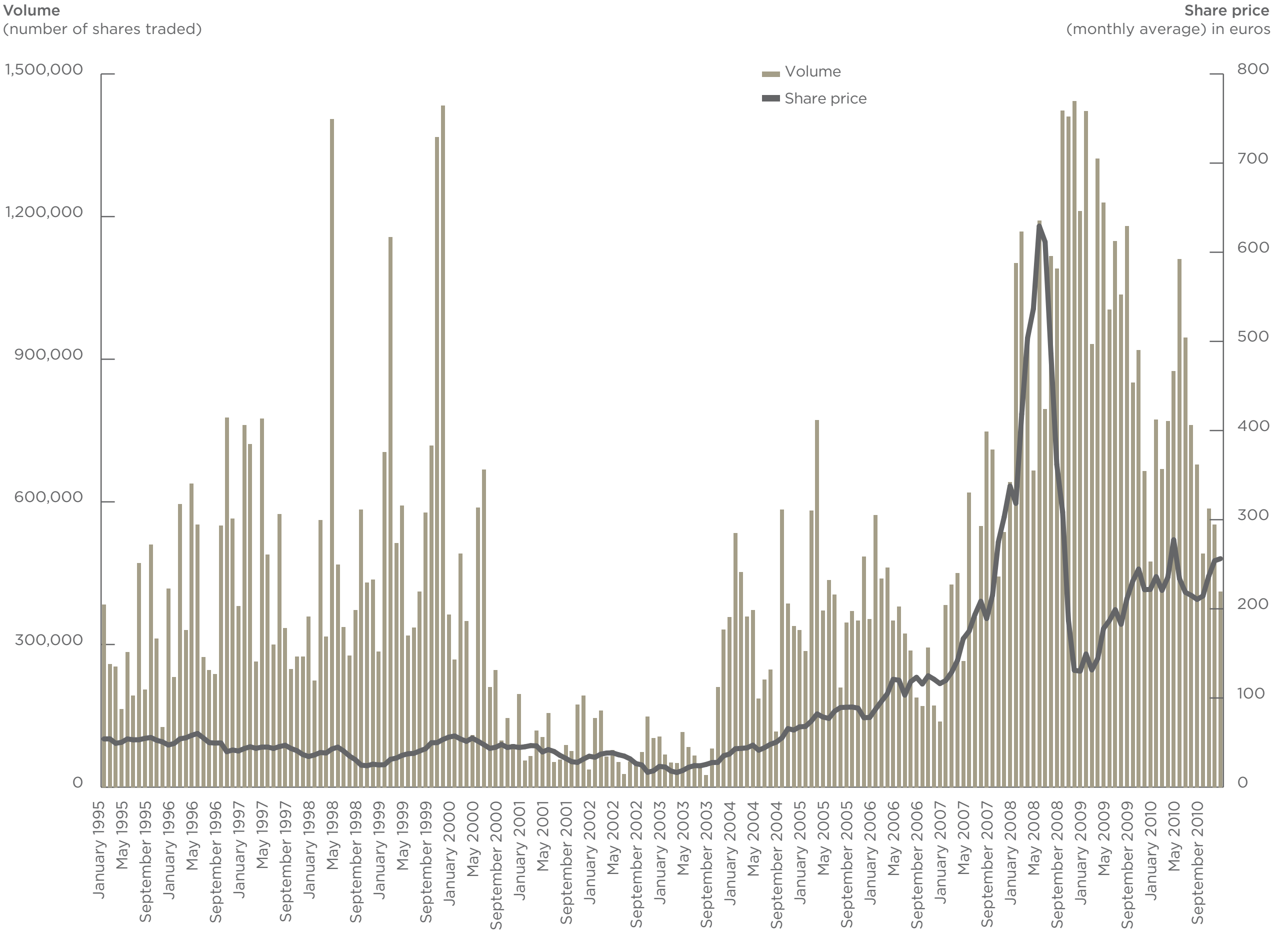
### ERASHARE programme continued for ERAMET Group employees

The ERASHARE programme was continued in 2010, with the free distribution to each Group employee of two ERAMET shares, following an offer of 5 shares per employee in 2009.

### Financial communications

The Group's financial communications continued through new and existing media: the reference document, the le business report, and the Group website www.eramet.com. For the first time, the briefing on the results for the 1st half-year of 2010 was webcast live with simultaneous interpretation in English.

## Changes in trading volumes and ERAMET share price performance




## Stock market data

| | Price *(in euros)* | | Year ended 31/12 | Stock-market capitalisation at 31/12 | Number of shares traded |
|---|---|---|---|---|---|
| | Extremes for the period | | | | |
| | high | low | | *(€ million)* | *(daily average)* |
| 1994* | 57.93 | 47.26 | 52.59 | 771 | 37,385 |
| 1995* | 58.39 | 41.31 | 48.78 | 743 | 15,673 |
| 1996* | 61.89 | 34.91 | 41.47 | 643 | 23,981 |
| 1997* | 53.20 | 33.08 | 34.76 | 542 | 22,172 |
| 1998* | 47.72 | 22.11 | 25.60 | 399 | 24,176 |
| 1999* | 58.75 | 23.15 | 57.00 | 1,393 | 33,810 |
| 2000 * | 61.75 | 41.90 | 43.55 | 1,076 | 14,100 |
| 2001 | 47.80 | 22.00 | 34.60 | 855 | 4,664 |
| 2002 | 39.80 | 13.90 | 21.05 | 527 | 4,928 |
| 2003 | 38.60 | 14.50 | 38.50 | 985 | 5,834 |
| 2004 | 72.90 | 36.70 | 66.20 | 1,704 | 15,953 |
| 2005 | 94.90 | 66.10 | 81.00 | 2,089 | 19,319 |
| 2006 | 147.40 | 79.00 | 121.40 | 3,142 | 14,806 |
| 2007 | 391.26 | 114.00 | 350.00 | 9,067 | 24,022 |
| 2008 | 669.98 | 96.06 | 138.00 | 3,618 | 52,945 |
| 2009 | 272.30 | 108.00 | 220.75 | 5,821 | 47,589 |
| 2010 | 298.40 | 193.70 | 256.50 | 6,801 | 33,419 |

* *Recalculated in euros.*

| | Price *(in euros)* | | | Number of shares traded |
|---|---|---|---|---|
| | low | high | Average *(year-end)* | *(monthly average)* |
| 2010 | | | | |
| December | 265.00 | 238.50 | 256.27 | 411,443 |
| November | 277.00 | 234.30 | 253.93 | 552,238 |
| October | 255.35 | 218.15 | 236.75 | 585,637 |
| September | 222.15 | 199.00 | 214.35 | 490,807 |
| August | 228.10 | 193.70 | 210.61 | 678,536 |
| July | 230.50 | 198.25 | 215.08 | 761,711 |
| June | 236.80 | 201.00 | 218.52 | 945,600 |
| May | 274.00 | 203.75 | 233.71 | 1,110,292 |
| April | 298.40 | 250.20 | 277.46 | 874,592 |
| March | 258.95 | 221.15 | 235.37 | 769,847 |
| February | 231.30 | 203.15 | 220.07 | 668,710 |
| January | 260.95 | 215.20 | 236.05 | 772,721 |
| 2009 | | | | |
| December | 216.60 | 234.15 | 221.816 | 474,492 |
| November | 207.00 | 230.50 | 221.510 | 664,166 |
| October | 210.00 | 272.30 | 244.570 | 919,131 |
| September | 213.55 | 248.80 | 231.111 | 850,553 |
| August | 190.00 | 244.00 | 211.362 | 1,179,815 |
| July | 153.51 | 204.00 | 182.722 | 1,035,733 |
| June | 175.00 | 238.50 | 199.005 | 1,148,573 |
| May | 161.30 | 204.74 | 186.854 | 1,004,671 |
| April | 153.75 | 195.00 | 177.945 | 1,229,638 |
| March | 109.02 | 185.00 | 144.122 | 1,321,855 |
| February | 108.00 | 149.50 | 131.51 | 932,017 |
| January | 122.00 | 193.00 | 149.32 | 1,422,169 |
| 2008 | | | | |
| December | 115.00 | 149.50 | 130.150 | 1,211,461 |
| November | 96.06 | 175.00 | 131.021 | 1,443,299 |
| October | 131.12 | 278.79 | 186.849 | 1,410,394 |
| September | 240.72 | 375.98 | 308.481 | 1,423,270 |
| August | 318.03 | 450.99 | 361.961 | 1,090,663 |
| July | 400.00 | 634.99 | 485.971 | 1,116,959 |
| June | 563.72 | 655.80 | 611.596 | 794,622 |
| May | 561.20 | 669.98 | 629.300 | 1,191,992 |
| April | 473.30 | 595.00 | 536.614 | 665,791 |
| March | 402.00 | 560.00 | 503.747 | 934,809 |
| February | 328.00 | 509.96 | 418.39 | 1,168,588 |
| January | 249.00 | 367.90 | 318.37 | 1,101,950 |
| 2007 | | | | |
| December | 297.00 | 391.26 | 337.68 | 641,029 |
| November | 265.00 | 333.00 | 302.97 | 535,937 |
| October | 250.43 | 322.80 | 274.95 | 442,298 |
| September | 193.03 | 255.40 | 215.18 | 709,482 |

| | Price *(in euros)* | | | Number of shares traded |
|---|---|---|---|---|
| | low | high | Average *(year-end)* | *(monthly average)* |
| **August** | 163.40 | 219.99 | 189.11 | 748,051 |
| **July** | 197.17 | 233.50 | 208.45 | 548,907 |
| **June** | 176.02 | 209.00 | 193.66 | 357,674 |
| **May** | 163.00 | 181.90 | 174.95 | 619,138 |
| **April** | 154.00 | 177.99 | 166.48 | 264,651 |
| **March** | 125.50 | 158.30 | 141.99 | 449,879 |
| **February** | 123.10 | 132.00 | 128.83 | 426,275 |
| **January** | 114.00 | 127.50 | 119.60 | 382,460 |

*Source: Nyse Euronext.*

## 7.1.3. Securities services

The Company's share register is maintained by:

BNP PARIBAS SECURITIES SERVICES

GCT – Issuer Services

Grands Moulins de Pantin – 9, rue du Débarcadère – 93761 Pantin Cedex, France

Tel. 0826 109 119.

EXANE BNP PARIBAS was commissioned to implement the liquidity contract.

# 7.2 SHARE CAPITAL

## 7.2.1. Subscribed capital

### 7.2.1.1. AMOUNT AND SHARES

At 1 January 2011, the share capital amounted to €80,866,071.30, in the form of 26,513,466 fully paid-up shares in the same class with a par value of €3.05 each.

### 7.2.1.2. RIGHTS ATTACHING TO THE SHARES

Every share provides entitlement to ownership in the Company's assets and a share of its earnings, in an amount proportional to the percentage of the share capital it represents, taking into account, as appropriate, the balance of redeemed and unredeemed share capital, paid and unpaid share capital, and the par value and rights of the various share classes.

Every share provides entitlement, whether as a going concern or in the event of liquidation, to payment of the same net sum for any distribution or redemption, in such a way that any tax exemptions or tax to which the Company may be entitled or liable shall be applied to all shares.

### 7.2.1.3. SUBSCRIBED UNPAID CAPITAL

Nil.

## 7.2.2. Securities not representing share capital

### 7.2.2.1. FOUNDERS' SHARES, VOTING RIGHTS CERTIFICATES

Nil.

### 7.2.2.2. OTHER SECURITIES

The Company has not issued any other currently valid financial instruments that do not represent share capital, but may grant future or optional rights over the share capital. However, authorisations exist for such issues, upon a decision of the Board. No use has yet been made of such authorisations.

## 7.2.3. Changes in share capital

Details of share capital are given in Note 26 to the consolidated financial statements in Section 6 of this document.

## 7.2.4. Changes in the share ownership over the past three years

The shareholdings have not changed materially over the past three years, even as a result of the substitution in 2001 of AREVA for Cogema, which had itself acquired ERAP's rights in 1999.

The Company has not been notified of any material change in shareholdings since the end of the year.

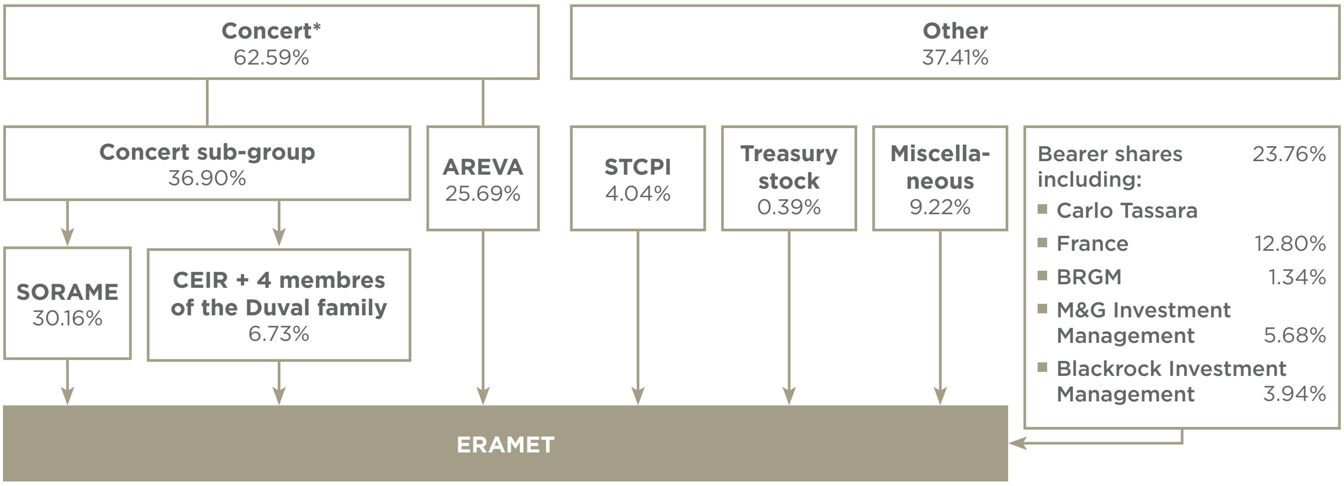
Shareholding and control changes may arise from the exercise of options granted under stock option plans or the vesting of shares granted under bonus share plans or the automatic vesting of double voting rights for shares that have been registered for more than two years.

## 7.2.5. Share ownership

The known ownership of the Company's share capital over the past three financial years is taken from a study carried out at 31 December of each year by the bank responsible for maintaining the share register, notified declarations of significant-shareholding threshold crossings as well as the exercise of still-valid options and bonus shares.

## 7.2.5.1. OWNERSHIP STRUCTURE

### Company shareholders as at 31 December 2010 *(% of shares)*




** Pursuant to a shareholders' agreement for which CMF (Financial Markets Regulator) opinion No. 199CO577 was notified on 18 May 1999.*

## 7.2.5.2. AT 31 DECEMBER 2010 (INCLUDING SHAREHOLDERS HOLDING – OR LIKELY TO HOLD – AT LEAST 1% OF THE CAPITAL OR VOTING RIGHTS AND KNOWN TO THE COMPANY)

| Major shareholders | Number of shares | Percentage of capital | Number of votes | Percentage of actual voting rights |
|---|---|---|---|---|
| **SORAME** (1) | | | | |
| (Société de Recherche et d'Applications Métallurgiques) | 7,997,095 | 30.16% | 15,816,014 | 35.68% |
| **CEIR** (1) | | | | |
| (Compagnie d'Études Industrielles de Rouvray) | 1,783,996 | 6.73% | 3,567,992 | 8.05% |
| Other individuals in the concert party (Cyrille, Georges, Édouard and Patrick Duval) | 2,283 | ns % | 3,504 | ns % |
| **Total for the SORAME/CEIR (1) concert sub-group** | **9,783,374** | **36.90%** | **19,387,510** | **43.74%** |
| **AREVA (1)** | **6,810,317** | **25.69%** | **13,567,594** | **30.61%** |
| **Total concert party (sub-concert group/AREVA) (1)** | **16,593,691** | **62.59%** | **32,955,104** | **74.34%** |
| STCPI (Société Territoriale Calédonienne de Participations Industrielles) | 1,070,586 | 4.04% | 2,141,172 | 4.83% |
| Employees (ERAMET share fund) | 31,138 | 0.12% | 50,748 | 0.11% |
| ERAMET treasury shares | 103,851 | 0.39% | 0 | 0.00% |
| Corporate officers (outside the concert party) | 14,045 | ns % | 16,836 | ns % |
| Carlo Tassara France (Company belonging to the Romain Zaleski group) (2) | 3,394,146 | 12.80% | 3,394,146 | 7.66% |
| BRGM (3) | 356,044 | 1.34% | 356,044 | 0.80% |
| M&G Investment Management Ltd. (4) | 1,507,277 | 5, 68% | 1,507,277 | 3.40% |
| Blackrock Investment Management (UK) Ltd. (3) | 1,044,297 | 3.94% | 1,044,297 | 2.36% |
| Elsewhere | 2,398,391 | 9.1% | 2,861,923 | 6.45% |
| **Total shares** | **26,513,466** | **100.00%** | **44,327,547** | **100.00%** |
| **Total registered shares** | **18,153,898** | **68.47%** | **35,967,979** | **81.14%** |
| **Total bearer shares** | **8,359,568** | **31.53%** | **8,359,568** | **18.86%** |

*(1) SORAME, CEIR and AREVA are signatories to a shareholders' agreement constituting a concert party on which the Conseil des Marchés Financiers (French Financial Markets Regulator) notified opinion No. 199C0577 on 18 May 1999.*

*(2) Since the latest declaration by Carlo Tassara France of its crossing a significant-shareholding threshold, No. 207C0134 of 17 January 2007.*

*(3) Estimated in the light of the most recent survey of identifiable bearer shares (IBS)*

*(4) Estimated in the light of the most recent survey of identifiable bearer shares (IBS). In March 2009, M&G Investment Management Ltd, a subsidiary of Prudential plc, stated that, as from 24 March 2009, Prudential plc controlled 792,995 shares.*

### 7.2.5.3. AT 31 DECEMBER 2009 (INCLUDING SHAREHOLDERS HOLDING – OR LIKELY TO HOLD – AT LEAST 1% OF THE CAPITAL OR VOTING RIGHTS AND KNOWN TO THE COMPANY)

| Major shareholders | Number of shares | Percentage of capital | Number of votes | Percentage of actual voting rights |
|---|---|---|---|---|
| **SORAME** (1) | | | | |
| (Société de Recherche et d'Applications Métallurgiques) | 7,822,011 | 29.66% | 15,640,930 | 35.42% |
| **CEIR** (1) | | | | |
| (Compagnie d'Études Industrielles de Rouvray) | 1,783,996 | 6.77% | 3,567,992 | 8.08% |
| Other individuals in the concert party (Cyrille, Georges, Édouard and Patrick Duval) | 2,223 | ns % | 3,444 | ns % |
| **Total for the SORAME/CEIR (1) concert sub-group** | **9,608,230** | **36.44%** | **19,212,366** | **43.50%** |
| **AREVA** (1) | **6,757,277** | **25.63%** | **13,514,554** | **30.60%** |
| **Total concert party (sub-concert group/AREVA)** (1) | **16,365,507** | **62.06%** | **32,726,920** | **74.11%** |
| STCPI (Société Territoriale Calédonienne de Participations Industrielles) | 1,070,586 | 4.06% | 2,141,172 | 4.85% |
| Employees (ERAMET share fund) | 22,610 | 0.09% | 42,220 | 0.10% |
| ERAMET treasury shares | 81,732 | 0.31% | 0 | 0.00% |
| Corporate officers (outside the concert party) | 14,142 | ns % | 15,033 | ns % |
| Carlo Tassara France (Company belonging to the Romain Zaleski group) (2) | 3,394,146 | 12.87% | 3,394,146 | 7.69% |
| BRGM (3) | 356,044 | 1.35% | 356,044 | 0.81% |
| M&G Investment Management Ltd. (4) | 1,553,229 | 5, 89% | 1,553,229 | 3.51% |
| Blackrock Investment Management (UK) Ltd. (3) | 1,157,153 | 4.39% | 1,157,153 | 2.62% |
| Six Sis AG (3) | 406,082 | 1.54% | 406,082 | 0.92% |
| Holta Invest AS | 126,978 | 0.48% | 126,978 | 0.29% |
| Elsewhere | 1,821,604 | 6.95% | 1,821,680 | 4.12% |
| **Total shares** | **26,369,813** | **100.00%** | **44,161,300** | **100.00%** |
| **Total registered shares** | **18,049,498** | **68.45%** | **35,840,985** | **81.16%** |
| **Total bearer shares** | **8,320,315** | **31.55%** | **8,320,315** | **18.84%** |

*(1) SORAME, CEIR and AREVA are signatories to a shareholders' agreement constituting a concert party on which the Conseil des Marchés Financiers (French Financial Markets Regulator) notified opinion No. 199C0577 on 18 May 1999.*

*(2) Since the latest declaration by Carlo Tassara France of its crossing a significant-shareholding threshold, No. 207C0134 of 17 January 2007.*

*(3) Estimated in the light of the most recent survey of identifiable bearer shares (IBS).*

*(4) Estimated in the light of the most recent survey of identifiable bearer shares (IBS). In March 2009, M&G Investment Management Ltd, a subsidiary of Prudential plc, stated that, as from 24 March 2009, Prudential plc controlled 792,995 shares.*

### 7.2.5.4. AT 31 DECEMBER 2008 (INCLUDING SHAREHOLDERS HOLDING – OR LIKELY TO HOLD – AT LEAST 1% OF THE CAPITAL OR VOTING RIGHTS AND KNOWN TO THE COMPANY)

| Major shareholders | Number of shares | Percentage of capital | Number of votes | Percentage of actual voting rights |
|---|---|---|---|---|
| **SORAME** (1) | | | | |
| (Société de Recherche et d'Applications Métallurgiques) | 7,818,919 | 29.83% | 15,637,838 | 35.80% |
| **CEIR** (1) | | | | |
| (Compagnie d'Études Industrielles de Rouvray) | 1,783,996 | 6.81% | 3,567,992 | 8.17% |
| Other individuals in the concert party (Cyrille. Georges. Édouard and Patrick Duval) | 1,275 | ns % | 1,696 | ns % |
| **Total for the SORAME/CEIR concert sub-group** | **9,604,190** | **36.64%** | **19,207,526** | **43.97%** |
| **AREVA** (1) | **6,757,277** | **25.78%** | **13,514,554** | **30.94%** |
| **Total concert party (sub-concert group/AREVA)** | **16,361,467** | **62.41%** | **32,722,080** | **74.90%** |
| STCPI (Société Territoriale Calédonienne de Participations Industrielles) | 1,070,586 | 4.08% | 2,141,172 | 4.90% |
| Employees (ERAMET share fund) | 19,610 | 0.07% | 39,220 | 0.09% |
| ERAMET treasury shares | 389,475 | 1.49% | 0 | 0.00% |
| Corporate officers (outside the concert party) | 2,983 | ns % | 3,066 | ns % |
| Carlo Tassara France (Company belonging to the Romain Zaleski group) (2) | 3,394,146 | 12.94% | 3,394,146 | 7.77% |
| BRGM (3) | 356,044 | 1.36% | 356,044 | 0.81% |
| M&G Investment Management Ltd. (4) | 1,281,703 | 4.89% | 1,281,703 | 2.93% |
| Blackrock Investment Management (UK) Ltd. (3) | 855,678 | 3.26% | 855,678 | 1.96% |
| Elsewhere | 2,483,539 | 9.47% | 2,893,701 | 6.62% |
| **Total shares** | **26,215,231** | **100.00%** | **43,686,810** | **100.00%** |
| **Total registered shares** | **18,413,075** | **70.24%** | **35,884,564** | **82.14%** |
| **Total bearer shares** | **7,802,156** | **29. 76%** | **7,802,156** | **17. 86%** |

*(1) SORAME. CEIR and AREVA are signatories to a shareholders' agreement constituting a concert party on which the Conseil des Marchés Financiers (French Financial Markets Regulator) notified opinion No. 199C0577 on 18 May 1999.*

*(2) Estimated in the light of the most recent declaration of the crossing of a significant-shareholding threshold by this company, No. 207C0134 dated 17 January 2007.*

*(3) Estimated in the light of the most recent survey of identifiable bearer shares (IBS).*

*(4) Estimated in the light of the most recent declaration of the crossing of a significant-shareholding threshold by this company, No. 208C1083 dated 3 June 2008. On 25 March 2009. M&G Investment Management Ltd. a subsidiary of Prudential plc. stated that. as from 24 March 2009. Prudential plc controlled 792,995 shares. equivalent to 3.02% of the capital and 1.81% of the voting rights at 31 December 2008.*

To the best of the Company's knowledge, no other shareholders directly or indirectly hold more than 1% of the share capital or voting rights in the Company and there are no pledged shares. Apart from the treasury shares referred to in the above table, the Company does not own any other of its own shares. The shareholdings of corporate officers are detailed in Section 14.

### 7.2.5.5. FORESEEABLE CHANGES IN VOTING RIGHTS

At 31 December 2010, a total of 275,000 registered shares, which were registered for less than two years, did not have double voting rights. If those shares were to enjoy double voting rights, the total of double voting rights would be increased to 36,242,979, plus the single voting rights of bearer shares, making 8,369,568 additional rights at 31 December 2010.

## 7.2.6. Stock option plan and bonus shares

Details of the stock subscription option plans and bonus shares allocated and remaining outstanding at 31 December 2010 are given in Note 25 to the ERAMET individual-company financial statements, which is described in Section 6 of this document. The bonus shares allocated (under the plans of 25 April 2007, 23 July 2007, 29 July 2009 and 20 May 2010) are existing shares.

On the basis of one share per option, the exercise of all valid subscription options not yet exercised under the plan dated 15 december 2004 would create 29,752 shares, thus increasing the number of shares (on the basis of the figures at 31 December 2010) to 26,399,565, the share capital to €80,518,673 and the voting rights to 44,357,299.

## 7.2.7. Summary table of financial authorisations

### Summary table of existing financial authorisations

| | |
|---|---|
| **Share-capital increases authorised** | |
| **A – By issuing shares, various transferable securities and/or subscription warrants, with retention of shareholders' preferential subscription rights. Art. L. 225-129, Commercial Code** | |
| By the EGM for an amount of €24,000,000 | 13 May 2009 (11th Resolution) |
| Term of powers delegated | 26 months until 12 July 2011 |
| Use of the authorisation | Nil |
| **B – By issuing shares, various transferable securities and/or subscription warrants, with waiver of shareholders' preferential subscription rights** | |
| By the EGM for an amount of €24,000,000 | 13 May 2009 (13th Resolution) |
| Term of powers delegated | 26 months until 12 July 2011 |
| Use of the authorisation | Nil |
| **C – By capitalising reserves, earnings, premiums or other capitalisable items** | |
| By the EGM for an amount of €24,000,000 | 13 May 2009 (12th Resolution) |
| Term of powers delegated | 26 months until 12 July 2011 |
| Use of the authorisation | Nil |
| **D – By issuing shares or miscellaneous marketable securities, in consideration of non-cash transfers of assets to the company, with waiver of shareholders' preferential subscription rights. Art. L. 225-147, paragraph 6, French Commercial Code** | |
| By the EGM for 10% of the share capital, in an amount of €7,995,645 | 13 May 2009 (14th Resolution) |
| Term of powers delegated | 25 months from 15 June 2009 until 14 July 2011 |
| Use of the authorisation | Nil |
| **Total issues limit (total A+B+C+D)** | |
| By EGM | 13 May 2009 (15th Resolution) |
| Maximum amount | €24,000,000 |
| Utilisation of authorisations | Nil |
| **Share capital increase reserved to employees** | |
| **E – By EGM** | **13 May 2009 (17th Resolution)** |
| Term of powers delegated | 26 months until 12 July 2011 |
| Maximum amount | €500,000 |
| Use of the authorisation | Nil |
| **Share-capital reduction** | |
| **F – By EGM** | **13 May 2009 (10th Resolution)** |
| Term of powers delegated | 26 months until 12 July 2011 |
| Maximum amount | 10% of share capital |
| Use of the authorisation | Nil |
| **Bonus share grants** | |
| (Commercial Code, Arts. L. 225-197-1 and L. 225-197-2 CC) | 20 May 2010 |
| Maximum total number | 300,000 shares |
| Authorisation period | 38 months until 19 July 2013 |
| Utilised in 2010 | 93,826 |
| Balance available | 206,174 |

Draft resolutions will be submitted to the vote of the Shareholders' General Meeting called for 11 May 2011 to authorise the renewal of the powers delegated to the Board for increasing and reducing the share capital (see the text of the draft resolutions in Section 8 of this document).

## 7.2.8. Description of the share buyback programme

### 7.2.8.1. REPORT ON THE 2010 BUYBACK PROGRAMME

The Combined Ordinary and Extraordinary General Meeting of Shareholders on 20 May 2010 authorised the Company to buy back its own shares within a limit of 10% of registered capital, for a maximum purchase price of €500 per share, thereby authorising a maximum total payable by the company of €1,318,665,650.

This authorisation expires at the Shareholders' Ordinary General Meeting called to approve the financial statements for the 2010 financial year and was granted for the following purposes, among others, to:

- support the share price *via* a liquidity contract with an investment services provider, in accordance with the AMAFI 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 in the share capital;
- grant shares to employees of the Company and/or companies that are 50% owned by ERAMET, whether directly or indirectly, on the terms and in the manner prescribed by law, with particular reference to the provisions governing stock options and bonus share grants to employees;
- cancel those shares, in accordance with the resolution put to the Shareholders' General Meeting of 13 May 2009 authorising a reduction in the Company's capital for a period of 26 months.

### 7.2.8.2. DETAILS OF TREASURY SHARES TRADED OVER THE YEAR (ARTICLE L. 225-211 OF THE FRENCH COMMERCIAL CODE)

The following table summarises treasury share transactions carried out by the Company between 1 January and 31 December 2010.

| | Shares comprised in the share capital | Price support | Awards to employees | Total |
|---|---|---|---|---|
| **Position at 31 December 2009** | | **49,626** | **32,106** | **81,732** |
| As a percentage of share capital | 26,369,813 | 0.19% | 0.12% | 0.31% |
| Purchases | | 269,075 | 23,610 | 292,685 |
| Sales | | (270,566) | - | (270,566) |
| **Position at 31 December 2010** | | **48,135** | **55,716** | **103,851** |
| As a percentage of share capital | 26,513,466 | 0.18% | 0.21% | 0.39% |

Over the course of the year, 292,685 shares were purchased at an average share price of €236.05 and 270,566 shares were sold at an average price of €235.03.

The carrying amount of the portfolio of 103,851 shares with a par value of €3.05 each, held at 31 December 2010, was €14,057,270.58, with a market value at that date of €256.50 per share, making a total of €26,637,781.15.

The Company did not use any derivatives during the year.

### 7.2.8.3. LIQUIDITY CONTRACT

In order to ensure minimum liquidity levels for its stock at all times, the Company has had a liquidity contract with Exane BNP Paribas since 18 July 2003. This liquidity contract complies with the AMAFI charter (formerly the AFEI charter). A summary of share price support transactions can be found in the details of trading set out above. At the settlement date of 31 December 2010, the following resources were available on the liquidity account: 45,890 ERAMET shares and €13,680,595. On 26 January 2011, a sum of €5,000,000 was withdrawn from the liquidity-contract balance.

### 7.2.8.4. DESCRIPTION OF THE 2011 BUYBACK PROGRAMME

#### LEGAL FRAMEWORK

Pursuant to Article 241-2 of the AMF General Regulation and European Council Regulation No. 2273/2003 of 22 December 2003, the purpose of this section is to describe the terms and goals of the Company's share buyback programme. This programme, which falls within the scope of Article L. 225-209 of the French Commercial Code, shall be put to the Shareholders' General Meeting of 11 May 2011, voting under the quorum and majority conditions for Shareholders' Ordinary General Meetings.

### NUMBER OF SHARES AND PROPORTION OF CAPITAL HELD BY THE COMPANY

At 31 December 2010, the Company's capital comprised 26,513,466 shares.

On that date, the Company held 103,851 treasury shares, equivalent to 0.39% of the share capital.

### BREAKDOWN BY PURPOSE OF THE EQUITY SECURITIES HELD BY THE COMPANY

As at 31 December 2010, the 103,851 treasury shares held by the company were allocated as follows, by purpose:

- share price support (liquidity contract): 48,135 shares;
- grants to employees: 55,716 shares.

### GOALS OF THE NEW BUYBACK PROGRAMME

The Intended goals of this programme are to:

- support the share price *via* a liquidity contract with a market maker, in accordance with the AMAFI code of conduct recognised by the AMF;
- retain or deliver them (by way of exchange, in payment or otherwise) in connection with external-growth transactions;
- deliver shares upon the exercise of rights attaching to marketable securities giving access to capital by redemption, conversion, exchange or otherwise;
- implement any implement any purchase options plan concerning the Company's shares within the terms of Articles L. 225-177 *et seq.* of the French Commercial Code;
- allocate bonus shares with the terms of Articles L. 225-197-1 *et seq.* of the French Commercial Code;
- allocate or transfer shares to employees as their share in the profits of the business or for the purpose of implementing any employee savings plan under the statutory provisions, with particular reference to Articles L. 3332-1 and following of the French Employment Code;
- cancel those shares, in accordance with the twenty-second resolution to be put to the Shareholders' General Meeting of 11 May 2011 authorising a reduction in the Company's capital for a period of 26 months.

### MAXIMUM PORTION OF THE CAPITAL, MAXIMUM NUMBER AND CHARACTERISTICS OF THE EQUITY SECURITIES

10% of the registered capital at 31 December 2010, namely 2,651,346 shares, before deduction of the Treasury shares held by the Company

ERAMET shares are listed in compartment A of Euronext Paris (ISIN code: FR0000131757).

The intended maximum purchase price is €500 per share.

The intended maximum total amount to be used in these purchases is €1,325,705,500, for 2,651,411 shares representing 10% of the Company's share capital.

### BUYBACK TERMS

Share purchases, sales and transfers may be carried out by any means in the market or over the counter, including share block transactions or *via* derivatives, on the understanding that the resolution put to shareholders does not limit the portion of the programme that can be carried out *via* share block purchases.

The Company states that if derivatives are used, the Company's goal would be to cover the option positions taken by the issuer (share purchase or subscription options granted to Group employees, debt instruments granting rights in the issuer's share capital). More specifically, the use of derivatives will involve buying call options and the Company should not be compelled to resort to the sale of put options.

### TERM OF THE BUYBACK PROGRAMME

The validity of the programme is limited to a period that will end at the Shareholders' General Meeting approving the financial statements for the 2011 financial year.

# 7.3. COMPANY INFORMATION

## 7.3.1. 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”.

## 7.3.2. Company registration number

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

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

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

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

## 7.3.4. 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

## 7.3.5. Legal form and applicable legislation

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

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

As required by law, the Company is audited by two Incumbent Statutory Auditors and two Alternate Statutory Auditors.

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

## 7.3.7. Corporate object (Article 3 of the Articles of Association)

“The object of the Company, in all countries, is exploring for and operating mining deposits of all kinds, the metallurgy of all metals and alloys and trading in them.

For this purpose, it is involved in the following activities, whether directly, or indirectly through investments:

- the uncovering, acquisition, farmout, disposal, concession and exploitation of all mines and quarries of any kind whatsoever;
- the processing, transformation of and trading in all ores, mineral and metal substances and their by-products, alloys and any derivatives;
- the manufacture and marketing of any products of which the above-mentioned materials or substances are components;
- more generally, any transactions directly or indirectly related to the above objects or that may be conducive to developing the Company’s business.

To achieve this object, the Company may, in particular:

- create, acquire, sell, exchange, take on lease or lease-out, with or without a purchase undertaking, manage and operate directly or indirectly any industrial or commercial companies, plant, construction sites and premises whatsoever, and any movable and tangible objects;
- obtain or acquire any patents, licences, processes and trade-marks, exploit, transfer or contribute them as capital, and grant all manner of operating licences in any country;
- and generally, carry out any commercial, industrial, financial, real-property or chattel transactions that may directly or indirectly relate or conduce to the corporate object or to its fulfilment. The Company may directly or indirectly act on its own behalf or on behalf of third parties, whether alone or *via* a partnership, joint venture or company, with any other company or person, and carry out, directly or indirectly, in France or abroad, in any form whatsoever, all transactions or other operations that are within the scope of its corporate object. It may take any interest or make any investment, in any form and in any French or foreign company that may be conducive to the development of its own business.”

## 7.3.8. Financial year (Article 24 of the Articles of Association)

The financial year runs for 12 months, beginning on 1 January and ending on 31 December of each year.

## 7.3.9. Shareholders' General Meeting

### 7.3.9.1. CALLING OF MEETINGS AND TERMS OF ADMISSION (ARTICLES 21, 22 AND 23 OF THE ARTICLES OF ASSOCIATION)

**Composition:** Shareholders' General Meetings comprise all shareholders in the Company, regardless of the number of shares they hold.

**Meeting notice:** Shareholders' General Meetings are called and held pursuant to the provisions of the French Commercial Code and Articles 21 to 23 of the Articles of Association.

Meetings are held either at the registered office or at any other venue in the same French Department specified in the meeting notice.

**Terms of admission:** All shareholders are entitled to take part in Shareholders' General Meetings, subject to proof of their identity, either in person or by proxy through another shareholder or their spouse, a partner with whom they have concluded a civil-union pact or by any other individual or legal entity they choose under the conditions prescribed by current regulations.

Holders of registered shares and holders of bearer shares must carry out the formalities provided for in the applicable regulations. In both cases, these formalities must be completed by midnight, Paris time, at least three business days prior to the Meeting. Shareholders may also vote by correspondence pursuant to Article L. 225-107 and R. 225-75 *et seq.* of the French Commercial Code, using a form that must reach the Company at least three days prior to the date of the Meeting.

**Shares that are jointly-owned, split, pledged or sequestrated:** Unless otherwise provided in the Articles of Association, and pursuant to the provisions of Article L. 225-110 of the French Commercial Code, any holder of a jointly owned share, a split share (with a bare owner and usufructuary), a pledged share or a sequestrated share, is invited to the Meeting and may attend, subject to compliance with the following legal provisions or provisions of the Articles of Association regarding the exercise of voting rights.

### 7.3.9.2. TERMS OF EXERCISE OF VOTING RIGHTS (ARTICLES 8 AND 21 OF THE ARTICLES OF ASSOCIATION)

Shareholders have the same number of voting rights as the shares they own or represent, subject to the double voting rights attaching to certain shares. The Shareholders' Extraordinary General Meeting of 21 July 1999 conferred a double voting right, with effect from 1 January 2002, on every fully paid-up share which can be demonstrated to have been registered in the name of the same shareholder for more than two years.

Bonus shares granted through incorporation of reserves, earnings or issue premiums on the basis of old shares benefiting from double voting rights, also gain such rights after two years.

Double voting rights cease for any shares that are converted to bearer shares or transferred, except, in accordance with the law, any transfer by succession, settlement of communal property between spouses or family gift, or through the merger or demerger of the shareholder company.

In accordance with the law, double voting rights may only be cancelled by a decision of the Shareholders' Extraordinary General Meeting and following approval by the Special Meeting of Beneficiary Shareholders.

**Shares that are jointly-owned, split, pledged or sequestrated:** Except as otherwise provided by the Articles of Association and pursuant to the provisions of Article L. 225-110 of the French Commercial Code, the voting right is exercised by the usufructuary at Shareholders' Ordinary General Meetings, by the bare owner at Shareholders' Extraordinary General Meetings, by one of the joint owners or by a sole proxy in the case of shares jointly owned in indivisum and by the owner of pledged or sequestrated shares.

Limitation of voting rights under the articles of association: none

Expiry: none, except where otherwise decided by the Shareholders' Extraordinary General Meeting, or on transfer from registered to bearer form.

## 7.3.10. Transfer of shares

Since the deletion of the approval clause by the General Meeting of 15 June 1994, shares may be traded freely, subject to compliance with the rules applicable to companies whose shares are listed on regulated markets.

## 7.3.11. Identification of shareholders

### 7.3.11.1. CROSSING SIGNIFICANT-SHAREHOLDING THRESHOLDS/ DECLARATION OF INTENT

**Legal declarations:** pursuant to Articles L. 233-7 to L. 233-11 of the French Commercial Code, any individual or legal entity, whether acting alone or in concert, coming into ownership of a number of shares representing more than one-twentieth, one-tenth, three-twentieths, one-fifth, one-quarter, one-third, one-half, two-thirds, eighteen-twentieths or nineteen-twentieths of the Company's share capital and/or voting rights, must inform the AMF and the Company within five trading days, by registered letter with advice 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 whenever their interest falls below any of the above-mentioned thresholds.

Finally, in addition to this legal duty of disclosure, any person crossing above or below the abovementioned thresholds of one-tenth, three-twentieths, one-fifth or one-quarter of the share capital is legally required, within ten trading days, to declare their intentions for the coming twelve months.

In the event of non-compliance with these disclosure obligations, the provisions of Article L. 233-14 of the said Commercial Code shall apply.

**Additional disclosures in accordance with the Articles of Association:** Since the amendment of Article 9 of the Articles of Association by the General Meeting of 15 June 1994, any individual or legal entity, whether acting alone or in concert, acquiring or ceasing to own a fraction equal to 1% of the share capital and/ or voting rights, or any multiple of that percentage, must inform the Company within ten days, by registered letter with advice 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 when the situation is rectified and upon the mere request of one or more shareholders holding 5% of the share capital or voting rights at a General Meeting.

### 7.3.11.2. IDENTIFIABLE BEARER SHARES

Pursuant to Article L. 228-2 of the French Commercial Code and Article 9 of the Articles of Association, the Company may at any time ask Euroclear SA to carry out the "identifiable bearer share" (IBS) procedure to identify the holders of such shares.

### 7.3.11.3. PUBLISHED DECLARATIONS OF SIGNIFICANT-SHAREHOLDING THRESHOLD CROSSINGS

| Date | AMF Decision No. | Object |
|---|---|---|
| 03/08/1999 | 199C1045 | Declaration of the crossing of a significant-shareholding threshold (ERAP – CEIR – SORAME). Declaration of intent. Appointment of 5 qualified persons as directors. Reminder: dispensation from obligation to file an intended public offer. |
| 29/12/1999 | 199C2064 | Declaration of the crossing of a significant-shareholding threshold. Cogema substituted for ERAP. |
| 30/12/1999 | 199C2068 | Declaration of the crossing of a significant-shareholding threshold. AFD substituted for ERAP. |
| 25/07/2001 | 199C0921 | Proposed amendment to shareholders' agreement: assigning ERAMET shares held by Cogema to CEA Industrie. |
| 12/09/2001 | 201C1140 | Declaration of the crossing of a significant-shareholding threshold. Amendment to the shareholders' agreement following the substitution of AREVA for Cogema. |
| 20/12/2004 | 204C1559 | Declaration of the crossing of a significant-shareholding threshold and declaration of intent. Substitution of Carlo Tassara International for Maaldrift BV. |
| 14/02/2006 | 206C0296 | Declaration of the upward crossing of a significant-shareholding threshold by M&G Investment Management Limited to 5.0034% of the share capital and 2.98% of the voting rights. |
| 17/01/2007 | 207C0134 | Declaration of the upward crossing of a significant-shareholding threshold, to 13.16% of the share capital and 7.74% of the voting rights, and declaration of intent by Carlo Tassara France. |
| 18/01/2007 | 207C0137 | Declaration of crossing below a significant-shareholding threshold (0%) by Carlo Tassara France. |
| 24/07/2007 | 207C1569 | Declaration of crossing below a significant-shareholding threshold to 4.14% of the share capital and 4.81% of the voting rights by STCPI. |
| 30/05/2008 | 208C1042 | Amendment to the (CEIR – SORAME – AREVA) shareholders' agreement of 17/06/99 |
| 03/06/2008 | 208C1083 | Declaration of crossing below a significant-shareholding threshold by M&G Investment Management Limited to 4.95% of the share capital and 2.93% of the voting rights. |
| 21/07/2009 | 209C1013 | Amendment to the SORAME – CEIR shareholders' agreement of 19/07/99 |

## 7.3.12. Factors likely to influence a public offer

In addition to the information relating to significant-shareholding threshold crossing, double voting rights, shareholders' agreements and undertakings detailed above, the following factors should be noted:

### 7.3.12.1. POSSIBILITY OF USING CAPITAL INCREASE AUTHORISATIONS DURING A PUBLIC OFFER

In its sixteenth resolution, the Shareholders' General Meeting on 13 May 2009 gave the Board discretion, for the period laid down by law, to make use, within the statutory provisions, namely in the event that the reciprocity clause in Article L. 233-33 of the French Commercial Code were to apply, of the various powers delegated to it under resolutions 11 to 14 of the same General Meeting to issue shares, miscellaneous marketable securities and/or subscription warrants waving or maintaining the shareholders' preferential subscription right, “in the event that one or more public offers including those involving share swaps were to be made addressing the securities issued by the Company”. The renewal of this authorisation shall be put to the vote at the General Meeting on 11 May 2011.

# 7.4. SHAREHOLDERS' AGREEMENTS

Pursuant to a shareholders' agreement dated 17 June 1999, which came into force on 21 July 1999, for which prior opinion 199C0577 was notified by the *Conseil des marchés financiers* (French Financial Markets Regulator), which agreement was amended on 28 May 2008, 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 dated 19 July 1999, that came into effect on 21 July 1999, and was amended on 21 July 1999, it being specified that Georges, Édouard, Cyrille and Patrick Duval together held and continue to hold over half the share capital of SORAME, without any one of them controlling it alone, and that virtually all the share capital of CEIR is held by members of the Duval family (without any of them controlling it alone);
- AREVA, formerly called CEA Industries, which took over the rights and obligations of ERAP, the initial signatory, as a result of a substitution made by an amendment dated 27 July 2001 to the concert agreement of 17 June 1999.

The provisions of the aforementioned shareholders' agreement and those of the concert sub-group are contained in the main extracts from the texts of the AMF decision and notification No. 208C1042 (amendment of 28 May 2008) and No. 209C1013 (amendment of 13 July 2009) reproduced below (the full version of these texts is available on the AMF website).

**Decision and notification No. 208C1042 of 30 May 2008**

Under cover of a letter dated 29 May 2008, the AMF (French Financial Markets Authority) was sent a shareholders' agreement entitled "amendment No. 2 to the shareholders' agreement of 17 June 1999", concluded on 29 May 2008 between the société en commandite par actions SORAME [partnership limited by shares], the French SAS CEIR [simplified joint-stock corporation] and certain members of the Duval family who are shareholders of SORAME on the one hand and AREVA on the other.

A/ SORAME and CEIR (being companies controlled by the Duval family), certain members of the Duval family and AREVA are subscribed to a shareholders' agreement by which they are joined in a concert party vis-à-vis ERAMET, pursuant to a private deed dated 17 June 1999 as amended on 27 July 2001, substituting AREVA for Cogema, itself previously substituted for ERAP on 1 December 1999 under the terms of the aforesaid shareholders' agreement.

This shareholders' agreement relating to the management of ERAMET and share ownership in the company was concluded for a term of approximately 7 years beginning on 21 July 1999 and terminating on 30 June 2006. This agreement was, however, tacitly extended thereafter for successive one-year periods unless denounced with one month's notice before the elapse of its term by registered letter with advice of receipt from any one of the parties.

Before signing this shareholders' agreement, its signatories applied to the Conseil des Marchés Financiers (French Financial Markets Regulator) to be dispensed from the obligation to file an intended public offer first, for the concert sub-group between SORAME and CEIR and secondly, for the concert party between SORAME, CEIR and ERAP, which dispensation was granted them.

In the absence of renunciation by any of the parties by 31 May 2006, then by 31 May 2007, the ERAMET shareholders' agreement instituting a concert party between SORAME, CEIR and AREVA was tacitly extended first, as from 1 July 2006, for a one-year term until 30 June 2007, and a second time, as from 1 July 2007 for a one-year term elapsing on 30 June 2008.

On 29 May 2008, SORAME, CEIR, certain members of the Duval family and AREVA signed an amendment to the 1999 shareholders' agreement extending their concert agreement until 31 December 2008 with various amendments, accordingly substituting as from 29 May 2008 a redrafted version for the earlier version of their shareholders' agreement of 17 June 1999. (…)

B/ The main terms of the amendment are as follows:

- concert party: The parties agreed to extend the term of the concert agreement with respect to ERAMET;
- composition of the ERAMET Board of Directors:

  The Board of Directors shall consist of 7 directors proposed by SORAME and CEIR, of whom two individuals proposed in consideration of their competence and independence, 5 directors proposed by AREVA, of whom two individuals proposed in consideration of their competence and independence, 2 directors proposed by STCPI and one director to chair the ERAMET Board of Directors. This composition shall be maintained except in the event of (i) a change by more than 10% in ERAMET's share capital or in the interests held at the time of the signing of the amendment either by SORAME and CEIR or by AREVA, or (ii) a material change in the capital interest held by STCPI in ERAMET, resulting in a reduction to below 635,372 ERAMET shares;
- chairmanship, selection committee: The parties intend to consult each other before appointment of any chairman and chief executive officer and the appointment of the senior managers of each of the ERAMET Group's three business divisions;
- covenant to consult: The parties covenant to consult, before any general meeting of the ERAMET shareholders, to ensure concordant exercise of their voting rights and to implement a joint policy with respect to that company;
- concert stability: For as long as AREVA does not increase its interest in ERAMET by more than 2%, whether directly or indirectly, the concert sub-group formed between SORAME and CEIR undertakes to maintain the number of shares and voting rights in ERAMET required to remain predominant in the overall concert party between SORAME, CEIR and AREVA, except where shares are disposed of that represent, together with those that may have been sold since the signature of the amendment, not less than 80% of that subgroup's shareholding in ERAMET at the signature of the amendment of 29 May to the shareholders' agreement of 17 June 1999;

- reciprocal right of first refusal (pre-emption):

  The parties grant each other reciprocal right of first refusal:
  - in the event of a firm intention to sell on the market to unidentified third parties, piecemeal, by Accelerated Book Building (ABB) or by Fully Marketed Offering (FMO), a determined number of ERAMET shares;
  - in the event of a projected sale to one or more identified third parties of one or more blocks of ERAMET shares by matched bids or off-market;
  - and in the event of an intended contribution as capital of all or part of its interest in ERAMET, in consideration for shares in the transferee company;
- purchase option granted to AREVA:
  - the Duval family grants a call option to AREVA on the whole of the SORAME shares held directly or indirectly by the individuals in the concert party, Messrs. Cyrille, Georges, Édouard and Patrick Duval, in the event that the disposal of SORAME shares or a projected transaction involving its capital were to reduce below 50% their overall interest in that company whether in the capital or in voting rights,
  - in the event of AREVA exercising the call option, the sale price shall be set by an expert.

The right of first refusal and the call option shall not apply to intragroup transfers or to unrequited transfers to individuals.

The shareholders' agreement became substituted on 29 May 2008 for the shareholders' agreement of 17 June 1999 and was concluded for a fixed term expiring on 31 December 2008. It could thereafter be tacitly extended for successive six-month periods unless denounced by any of the parties to the other by notice served not less than 15 calendar days before the expiry of the current half-yearly period.

The substituted agreement shall cease, as shall the concert party between the parties, in the event that any of them disposes of more than 80% of its interest in ERAMET, or in the event of a change of predominance within the overall concert party between SORAME, CEIR and AREVA.

**Decision and notification No. 209C1013 of 21 July 2009**

Under cover of a letter dated 16 July 2009, the AMF (French Financial Markets Authority) was sent a shareholders' agreement entitled "Amendment No. 1 to the agreement of 19 July 1999 among the shareholders in ERAMET between SORAME and CEIR", concluded on 13 July 2009 between SORAME being a partnership limited by shares and the simplified joint-stock corporation, CEIR.

A/ It is hereby recalled that on 19 July 1999, SORAME and CEIR (being companies controlled by the Duval family) concluded a shareholders' agreement instituting a concert party between them for a term of 10 years as from 21 July 1999.

This shareholders' agreement provided for the following, among others:

- the non-transferability of their ERAMET shares for 5 years, except within a maximum 1.5% of ERAMET's share capital for each of them;
- full freedom for them to transfer their ERAMET shares among themselves provided SORAME continues to hold not less than 70% of the ERAMET shares held by their concert party, and CEIR continues to hold a maximum of 30%, with the undertaking to maintain this distribution among them in the event that their interests increase;
- reciprocal rights of pre-emption over their ERAMET shares;
- an undertaking to consult before any Shareholders' General Meeting, to ensure concordant exercise of their voting rights for the implementation of a common policy as regards ERAMET.

  (…)

C/ On 13 July 2009, SORAME and CEIR signed an amendment to the shareholders' agreement of 19 July 1999 described in point A above, extending their concert agreement until 21 July 2014 with various amendments, accordingly substituting as from 13 July 2009 a redrafted version for the earlier version of their shareholders' agreement of 19 July 1999.

The following are the main terms of the amendment concluded between SORAME and CEIR:

- stability of the SORAME/CEIR concert party: except in the event of a disposal of not less than 80% of the interest of their concert party in ERAMET, and for as long as AREVA does not increase its interest in ERAMET by more than 2%, the parties undertake to maintain the number of shares and voting rights in ERAMET required for the concert sub-group to remain predominant in the overall concert party;
- transfer of ERAMET shares between SORAME and CEIR: the parties may freely transfer ERAMET shares among themselves, provided SORAME continues to hold not less than 70% of the ERAMET shares held by the concert sub-group and CEIR continues to hold a maximum of 30%;
- increase of SORAME and CEIR shareholdings in ERAMET: the parties may freely increase their interests in ERAMET, provided they do not increase the interest by more than 2% of the capital or voting rights within less than twelve months;
- an undertaking to consult before any Shareholders' General Meeting, to ensure concordant exercise of their voting rights for the implementation of a common policy as regards ERAMET.

This agreement supersedes the shareholders' agreement of 19 July 1999. It is concluded for a term expiring on 21 July 2014, renewable thereafter by tacit extension for successive two-year periods, unless denounced by either party serving notice one month before the expiry of the current period.

It shall cease, as shall be concert party between the parties, in the event that either party disposes of more than 80% of its interest in ERAMET.

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The distribution of the directors on the Board of Directors and on the committees is further detailed in Section 4 of this document, entitled Corporate Governance.

To the best of ERAMET's knowledge, there are no other shareholders' agreements.

# General Shareholders' Meeting – Wording of draft resolutions



8

# 8.1. WITHIN THE REMIT OF THE ORDINARY GENERAL SHAREHOLDERS' MEETING

## First resolution (2010 annual financial statements)

After having heard the report from the Board of Directors and the report from the Statutory Auditors, for the financial year ended 31 December 2010, the General Shareholders' Meeting, adopting resolutions under the conditions of quorum and majority required for Ordinary General Shareholders' Meetings, approves the financial statements for said financial year as presented to it and the transactions reflected in these financial statements or summarised in these reports.

## Second resolution (2010 consolidated financial statements)

After having heard the report from the Board of Directors and the report from the Statutory Auditors relating to the consolidated financial statements for the financial year ended 31 December 2010, the General Shareholders' Meeting, adopting resolutions under the conditions of quorum and majority required for Ordinary General Shareholders' Meetings, approves said consolidated financial statements as presented to it and the transactions reflected in these financial statements or summarised in these reports.

## Third resolution (Related-party agreements)

After having heard the special report from the Statutory Auditors on the agreements referred to in Articles L. 225-38 *et seq.* of the French Commercial Code, the General Shareholders' Meeting, adopting resolutions under the conditions of quorum and majority required for Ordinary General Shareholders' Meetings, approves this report and the agreements referred to therein.

## Fourth resolution (Appropriation of earnings – Setting the dividend)

The General Shareholders' Meeting, adopting resolutions under the conditions of quorum and majority required for Ordinary General Shareholders' Meetings, approves the appropriation of the profit as suggested by the Board of Directors:

- income for the financial year was €146,111,811.29;
- plus retained earnings at 31 December 2010 (1) €406,298,868.25.

The General Shareholders' Meeting resolves to allocate:

- to the legal reserve: €90,961.68;
- leaving: €552,319,717.86.

(1) The retained earnings include the €141,949.80 corresponding to the amount of the dividend voted on but not paid in respect of ERAMET's treasury shares on the date of payment of the dividend in 2010.

The General Shareholders' Meeting resolves to pay out an amount of €3.50 per share, to wit, for the 26,513,466 shares in the share capital on 31 December 2010:

- an amount of: €92,797,131;
- leaving retained earnings of: €459,522,586.86.

The dividend will be detached on 13 May 2011 and paid out as from 18 May 2011.

If, when the dividend is paid out, any new shares have been created as a result of the exercise of subscription options or the creation of bonus shares for beneficiary employees, the dividend corresponding to those shares will be automatically deducted from retained earnings.

The General Shareholders' Meeting, acting as an Ordinary General Shareholders' Meeting, notes that the dividends per share paid out in respect of the previous year and the three preceding years is, or was, as follows:

| | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|
| Number of shares subject to dividends | 25,905,621 | 26,215,231 | 26,369,813 | **26,513,466** |
| Dividend | €6.00 | €5.25 | €1.80 | **€3.50** |

## Fifth resolution (Non-renewal of the term of office of a director – Appointment of a new director)

The General Shareholders' Meeting, adopting resolutions under the conditions of quorum and majority required for Ordinary General Shareholders' Meetings, resolves not to renew the term of office as director of Mr Pierre-Noel Giraud, which ends at this Meeting, and appoints Mrs Josseline de Clausade as his replacement, for a four-year term of office, *i.e.* until the General Shareholders' Meeting called to approve the financial statements for the 2014 financial year and which is scheduled to be held in 2015.

## Sixth resolution (Non-renewal of the term of office of a director – Appointment of a new director)

The General Shareholders' Meeting, adopting resolutions under the conditions of quorum and majority required for Ordinary General Shareholders' Meetings, resolves not to renew the term of office as director of Mr Jacques Rossignol, which ends at this Meeting, and appoints Mrs Manoelle Lepoutre as his replacement, for a four-year term of office, *i.e.* until the General Shareholders' Meeting called to approve the financial statements for the 2014 financial year and which is scheduled to be held in 2015.

## Seventh resolution (Non-renewal of the term of office of a director – Appointment of a new director)

The General Shareholders' Meeting, adopting resolutions under the conditions of quorum and majority required for Ordinary General Shareholders' Meetings, resolves not to renew the term of office as director of Mr Cyrille Duval, which ends at this Meeting, and appoints SORAME, represented by Mr Cyrille Duval, as his replacement, for a four-year term of office, *i.e.* until the General Shareholders' Meeting called to approve the financial statements for the 2014 financial year and which is scheduled to be held in 2015.

## Eighth resolution (Non-renewal of the term of office of a director – Appointment of a new director)

The General Shareholders' Meeting, adopting resolutions under the conditions of quorum and majority required for Ordinary General Shareholders' Meetings, resolves not to renew the term of office as director of Mr Patrick Duval, which ends at this Meeting, and appoints CEIR, represented by Mr Patrick Duval, as his replacement, for a four-year term of office, *i.e.* until the General Shareholders' Meeting called to approve the financial statements for the 2014 financial year and which is scheduled to be held in 2015.

## Ninth resolution (Ratification of the co-opting of a director)

The General Shareholders' Meeting, adopting resolutions under the conditions of quorum and majority required for Ordinary General Shareholders' Meetings, ratifies the co-opting as director of Mr Sébastien de Montessus, which took place at the Board of Directors' Meeting of 20 May 2010, to replace Mr Rémy Autebert, who resigned, for the remaining term of the latter's term of office, *i.e.* until the end of the General Shareholders' Meeting called to approve the financial statements for the 2010 financial year and which is scheduled to be held in 2011.

## Tenth resolution (Ratification of the co-opting of a director)

The General Shareholders' Meeting, adopting resolutions under the conditions of quorum and majority required for Ordinary General Shareholders' Meetings, ratifies the co-opting as director of Mr Michel Quintard, which took place at the Board of Directors' Meeting of 15 December 2010, to replace Mr Pierre Frogier, who resigned, for the remaining term of the latter's term of office, *i.e.* until the end of the General Shareholders' Meeting called to approve the financial statements for the 2012 financial year and which is scheduled to be held in 2013.

## Eleventh resolution (Non-renewal of the term of office of a director – Appointment of a new director)

The General Shareholders' Meeting, adopting resolutions under the conditions of quorum and majority required for Ordinary General Shareholders' Meetings, resolves not to renew the term of office as director of Mr Sébastien de Montessus, which ends at this Meeting, and appoints Mr Frédéric Tona, as his replacement, for a four-year term of office, *i.e.* until the General Shareholders' Meeting called to approve the financial statements for the 2014 financial year and which is scheduled to be held in 2015.

## Twelfth resolution (Renewal of the term of office of a director)

The General Shareholders' Meeting, adopting resolutions under the conditions of quorum and majority required for Ordinary General Shareholders' Meetings, renews for a four-year term, *i.e.* until the General Shareholders' Meeting called to approve the financial statements for the 2014 financial year and which is scheduled to be held in 2015, the term of office as director of Mr Patrick Buffet, which ends at this Meeting.

## Thirteenth resolution (Renewal of the term of office of a director)

The General Shareholders' Meeting, adopting resolutions under the conditions of quorum and majority required for Ordinary General Shareholders' Meetings, renews for a four-year term, *i.e.* until the General Shareholders' Meeting called to approve the financial statements for the 2014 financial year and which is scheduled to be held in 2015, the term of office as director of Mr Édouard Duval, which ends at this Meeting.

## Fourteenth resolution (Renewal of the term of office of a director)

The General Shareholders' Meeting, adopting resolutions under the conditions of quorum and majority required for Ordinary General Shareholders' Meetings, renews for a four-year term, *i.e.* until the General Shareholders' Meeting called to approve the financial statements for the 2014 financial year and which is scheduled to be held in 2015, the term of office as director of Mr Georges Duval, which ends at this Meeting.

## Fifteenth resolution (Renewal of the term of office of a director)

The General Shareholders' Meeting, adopting resolutions under the conditions of quorum and majority required for Ordinary General Shareholders' Meetings, renews for a four-year term, *i.e.* until the General Shareholders' Meeting called to approve the financial statements for the 2014 financial year and which is scheduled to be held in 2015, the term of office as director of Mr Gilbert Lehmann, which ends at this Meeting.

## Sixteenth resolution (Renewal of the term of office of a director)

The General Shareholders' Meeting, adopting resolutions under the conditions of quorum and majority required for Ordinary General Shareholders' Meetings, renews for a four-year term, *i.e.* until the General Shareholders' Meeting called to approve the financial statements for the 2014 financial year and which is scheduled to be held in 2015, the term of office as director of Mr Louis Mapou, which ends at this Meeting.

## Seventeenth resolution (Renewal of the term of office of a director)

The General Shareholders' Meeting, adopting resolutions under the conditions of quorum and majority required for Ordinary General Shareholders' Meetings, renews for a four-year term, *i.e.* until the General Shareholders' Meeting called to approve the financial statements for the 2014 financial year and which is scheduled to be held in 2015, the term of office as director of Mr Michel Somnolet, which ends at this Meeting.

## Eighteenth resolution (Renewal of the term of office of a director)

The General Shareholders' Meeting, adopting resolutions under the conditions of quorum and majority required for Ordinary General Shareholders' Meetings, renews for a four-year term, *i.e.* until the General Shareholders' Meeting called to approve the financial statements for the 2014 financial year and which is scheduled to be held in 2015, the term of office as director of Mr Antoine Treuille, which ends at this Meeting.

## Nineteenth resolution (Renewal of the term of office of a director)

The General Shareholders' Meeting, adopting resolutions under the conditions of quorum and majority required for Ordinary General Shareholders' Meetings, renews for a four-year term, *i.e.* until the General Shareholders' Meeting called to approve the financial statements for the 2014 financial year and which is scheduled to be held in 2015, the term of office as director of AREVA, represented by Mr Sébastien de Montessus, which ends at this Meeting.

## Twentieth resolution (Authorisation to trade in the Company's shares)

After having familiarised itself with the report from the Board of Directors and the description of the Company's share buyback programme, using the right provided for by Article L. 225-209 of the French Commercial Code, the General Shareholders' Meeting, adopting resolutions under the conditions of quorum and majority required for Ordinary General Shareholders' Meetings, authorises the Board of Directors to buy, or have bought, the Company's shares up to a limit of 10% of the share capital, so as to:

- support the share price *via* a liquidity contract with a market maker, in accordance with the AMAFI code of conduct recognised by the AMF;
- retain or contribute them (in exchange, payment or otherwise) pursuant to acquisition transactions;
- provide shares during the exercising of the rights attached to securities giving access to the capital by redemption, conversion, exchange or in any other manner;
- implement any Company share purchase option plan pursuant to the provisions of Articles L. 225-177 *et seq.* of the French Commercial Code;
- allocate bonus shares pursuant to the provisions of Articles L. 225-197-1 *et seq.* of the French Commercial Code;
- allocate or transfer shares to employees in respect of their profit-sharing or the implementation of any employee savings scheme under the conditions provided for by legislation and, in particular, by Articles L. 3332-1 *et seq.* of the French Labour Code *(Code du travail);*

- cancel them, in accordance with the **twenty-second** resolution of this General Shareholders' Meeting authorising the reduction of the Company's capital for 26 months.

Such shares may be purchased, sold, transferred or exchanged by any means, in the market or over the counter, including, where appropriate, by means of derivatives and the whole of the authorised share buyback programme may be acquired or transferred in the form of share blocks.

Payment may be by any means.

The maximum purchase price may not exceed **€500** per share.

This authorisation is granted for a period expiring at the General Shareholders' Meeting called to approve the 2011 financial statements.

On the basis of the number of shares in the share capital **at 28 February 2011**, assuming a price of **€500** per share, the maximum theoretical investment would amount to **€1,325,705,500**.

For the purposes of implementing this resolution, the Board of Directors is granted full powers, which it may delegate, to:

- placing all stock market orders, entering into all agreements particularly with regard to the keeping of share purchase and sale records;
- making all filings to the AMF;
- assigning or reassigning the acquired shares to the various goals in line with the applicable legal or regulatory provisions;
- carrying out all other formalities and generally doing whatever is necessary.

## Twenty-first resolution (Authorisation to trade in the Company's shares during a public offer period)

The General Shareholders' Meeting, subject to the adoption of the previous resolution, authorises the Board of Directors to also use the authorisation granted in said resolution during a public offer period if, on the one hand, the purchase offer for the Company's shares is fully paid in cash and if, on the other hand, the buyback transactions are carried out in the normal course of its business.

# 8.2. WITHIN THE REMIT OF THE EXTRAORDINARY GENERAL SHAREHOLDERS' MEETING

## Twenty-second resolution (Authorisation to reduce the capital by cancelling shares)

After having familiarised itself with the report from the Board of Directors and the special report from the Statutory Auditors, in accordance with Article L. 225-209 of the French Commercial Code, the General Shareholders' Meeting, adopting resolutions under the conditions of quorum and majority required for Extraordinary General Shareholders' Meetings, authorises, under the condition precedent of the General Shareholders' Meeting adopting the twentieth resolution relating to the authorisation to trade in the Company's shares, the Board of Directors, with entitlement to sub-delegate under the conditions provided for by legislation, to reduce the Company's share capital by cancelling, on one or more occasions, all or some of the shares acquired in accordance with the provisions of Article L. 225-209 of the French Commercial Code.

The General Shareholders' Meeting bestows all powers on the Board of Directors in order to decide upon the cancellation of shares, note 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.

This authorisation is valid for 26 months as from the date of this General Shareholders' Meeting, up to a limit of 10% of the Company's share capital per 24-month period. It supersedes any previous authorisation having the same purpose.

## Twenty-third resolution (Delegation of authority granted to the Board of Directors in order to increase the share capital by issuing ordinary shares or any securities giving access to the capital with the shareholders' preferential subscription right being maintained)

After having familiarised itself with the report from the Board of Directors and the special report from the Statutory Auditors, in accordance with the provisions of Articles L. 225-129-2 and L. 228-92 of the French Commercial Code, the General Shareholders' Meeting, adopting resolutions under the conditions of quorum and majority required for Extraordinary General Shareholders' Meetings, delegates to the Board of Directors, with entitlement to sub-delegate under the conditions provided for by legislation, the authority to decide to increase, by its decisions alone, the Company's share capital by issuing, on one or more occasions, both in France and abroad, securities giving immediate or future access to a portion of the share capital, in the form:

a) of ordinary shares in the Company by issuing new shares to be subscribed for in cash or by offsetting receivables, with or without an issue premium;

b) of securities other than shares, directly or indirectly providing entitlement, by conversion, exchange, redemption, presentation of a warrant or by any other means, to the granting, at any time or on fixed dates, of securities that shall be issued for that purpose, representing a portion of the share capital of the Company. These securities may take the form of convertible bonds, bonds with warrants, bonds redeemable in shares or any other form that is not incompatible with current legal provisions.

   These securities may be issued either in euros, or in foreign currencies, or in monetary units established with reference to a basket of currencies.

c) of warrants that give their holders the right to subscribe for securities representing a portion of the Company's share capital, on the understanding that these warrants may be issued either by subscription for cash or by bonus grant and furthermore that the warrants may be issued alone or attached to both the shares and securities mentioned in (a) and (b) above issued simultaneously.

The maximum par amount of the capital increases which may be carried out, immediately or in the future, under this delegation, is set at €24,000,000. Where applicable, the par amount of shares to possibly be issued as a supplement, in the event of further financial transactions, in order to preserve the rights of holders of securities giving access to the share capital, shall be added to this maximum amount. This amount shall be set-off against the maximum global amount set in the 27th resolution.

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.

If the subscriptions for shares as of right and, where applicable, for excess shares, have not accounted for the whole share, security or warrant issue, the Board of Directors may limit the issue, under legal conditions, to the amount of subscriptions recorded, or freely distribute the shares, securities or warrants not subscribed for as of right and, where applicable, the excess shares, securities or warrants, or even offer all or some of them to the general public; the Board of Directors may use the abovementioned options in the order of its choice or only use certain of them.

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 duly notes that the decision to issue securities giving access to the share capital includes a waiver by the shareholders of their preferential subscription right for the capital stock to which the issued securities provide entitlement under the provisions of Article L. 225-132 of the French Commercial Code.

The General Shareholders' Meeting bestows all powers on the Board of Directors, with entitlement to sub-delegate under the conditions provided for by legislation, to implement this delegation, on one or more occasions, in particular, in order to:

- set the terms and conditions for capital increases and decide on the dates and terms and conditions of the issues which shall be made under this resolution;
- set the start and end dates of the subscription periods, the price, the dividend entitlement date for the issued securities, the terms and conditions for paying up the shares, grant lead-times for their paying up;
- set-off, should it see fit, the expenses, duties and fees incurred in respect of the issues against the amount of corresponding premiums and deduct from this amount the amounts required to ensure that the legal reserve represents one tenth of the new share capital after each increase;
- more generally, do everything which shall be appropriate or required and, in particular, conclude any and all agreements, carry out any and all actions and formalities in order to note the carrying out of the capital increase(s), modify the Articles of Association accordingly, carry out all the necessary formalities for the issued shares to be admitted to trading.

This delegation, which invalidates any previous authorisation, is valid for twenty-six months as from this Meeting.

## Twenty-fourth resolution (Delegation of authority granted to the Board of Directors in order to incorporate reserves, profits, premiums or other reserves that may be capitalised)

After having familiarised itself with the report from the Board of Directors, in accordance with the provisions of Articles L. 225-129-2 and L. 225-130 of the French Commercial Code, the General Shareholders' Meeting, adopting resolutions under the conditions of quorum and majority provided for by Article L. 225-130 of the French Commercial Code:

1. delegates to the Board of Directors the authority to decide to increase the share capital on one or more occasions, in the proportions and on the dates of its choice, either by the incorporation of reserves, profits, premiums or other reserves that may be capitalised, or even in tandem with a share capital increase for cash carried out under the twenty-third resolution, in the form of bonus share allocations or by increasing the par value of existing shares, or by combining both transactions;
2. resolves that the amount of the capital increase which may be carried out under this delegation may not exceed €24,000,000; this amount shall be set-off against the maximum global amount set in the twenty-seventh resolution;
3. resolves that the Board of Directors shall be fully empowered, with entitlement of sub-delegate under the conditions provided for by legislation, to implement this delegation in order, in particular, to:

- decide on all the terms and conditions of the authorised transactions and in particular set the amount and nature of the reserves and premiums to be incorporated into the capital, set the number of new shares to be issued or the amount by which the par value of the existing shares in the share capital is to be increased, decide the date, even retrospective, from which the new shares will be entitled to dividends or the date on which the increase in the par value will take effect and, where appropriate, allocate all charges to the share premiums, in particular the cost of carrying out the issues;
- decide, where applicable, in the event of the allotment of bonus shares, pursuant to the provisions of Article L. 225-130 of the French Commercial Code, that fractions shall not be negotiable and that the corresponding shares shall be sold, with the proceeds of the sale being allocated to the rights holders within a maximum of 30 days of the date when the whole number of allocated shares is registered to them;
- more generally, do everything which shall be appropriate or required and, in particular, conclude any and all agreements, carry out any and all actions and formalities in order to note the carrying out of the capital increase(s), modify the Articles of Association accordingly, carry out all the necessary formalities for the issued shares to be admitted to trading.

This delegation, which invalidates any previous authorisation, is valid for twenty-six months as from this Meeting.

## Twenty-fifth resolution (Delegation of authority granted to the Board of Directors in order to increase the share capital by issuing ordinary shares or any securities giving access to the capital with the shareholders' preferential subscription right being cancelled)

After having familiarised itself with the report from the Board of Directors and the special report from the Statutory Auditors, in accordance with the provisions of Article L. 225-129 of the French Commercial Code, the General Shareholders' Meeting, adopting resolutions under the conditions of quorum and majority required for Extraordinary General Shareholders' Meetings, delegates to the Board of Directors, with entitlement to sub-delegate under the conditions provided for by legislation, the authority to decide, with cancellation of the shareholders' preferential subscription right, to increase the Company's share capital by a maximum par amount of €24,000,000 by issuing, on one or more occasions, both in France and abroad, securities giving immediate or future access to a portion of the share capital. This authorisation may be exercised on the following terms:

I. Issue by the Company, in the form:

a) of new ordinary shares in the Company to be subscribed for in cash or by offsetting receivables, with or without an issue premium;

b) of securities other than shares, directly or indirectly providing entitlement, by conversion, exchange, redemption, presentation of a warrant or by any other means, to the granting, at any time or on fixed dates, of securities that shall be issued for that purpose, representing a portion of the share capital of the Company. These securities may take the form of convertible bonds, bonds with warrants, bonds redeemable in shares or any other form that is not incompatible with current legal provisions.

These securities may be issued either in euros, or in foreign currencies, or in monetary units established with reference to a basket of currencies.

c) of warrants that give their holders the right to subscribe for securities representing a portion of the Company's share capital, on the understanding that these warrants may be issued either by subscription for cash or by bonus grant and furthermore that the warrants may be issued alone or attached to both the shares and securities mentioned in (a) and (b) above issued simultaneously.

The securities mentioned under (a), (b) and (c) hereinabove may be issued to compensate securities which may be contributed to the Company as part of a public exchange offer involving securities meeting the terms and conditions of Article L. 225-148 of the French Commercial Code.

The par value of the securities representing a portion of the Company's capital that may be created by virtue of the issues provided for under (b) and (c) of this Section I may not, under any circumstances, result in the share capital being increased by a par amount of more than €24,000,000 for the issues referred to in (b) and more than €24,000,000 for the issues referred to in (c), to which may be added the par value of the securities to be issued in order to preserve the rights of the owners of the securities mentioned under (b) and (c) hereinabove.

II. Issues by one or more companies in which ERAMET directly or indirectly holds more than half the share capital, carried out by those companies, on one or more occasions, whether in Euros, foreign currencies or monetary units established with reference to a basket of currencies, in the French or international markets:

a) ERAMET bonds with warrants;

b) securities, directly or indirectly providing entitlement, by conversion, exchange, redemption, presentation of a warrant or by any other means, to the granting, at any time or on fixed dates, of securities that are or shall be issued for that purpose, representing a portion of the share capital of ERAMET. These securities may take the form of shares with warrants, convertible bonds, bonds redeemable in shares or any other form that is not incompatible with current legal provisions.

The par value of the securities representing a portion of the capital likely to be created by virtue of the issues provided for under (a) and (b) of this Section II may not, under any circumstances, result in the capital being increased by a par amount of more than €24,000,000 to which may be added the par value of the securities to be issued in order to preserve the rights of the owners of securities mentioned under (a) and (b) and the securities mentioned under (b) of this Section II.

III. The General Shareholders' Meeting resolves to waive shareholders' preferential subscription rights to the shares, securities and warrants mentioned under (a), (b) and (c) of Section I and the warrants and securities mentioned under (a) and (b) of Section II. 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 also resolves that this authorisation includes a waiver by shareholders of their preferential subscription rights to securities representing a portion of the capital of ERAMET to which the issue of the securities and warrants mentioned under (b) and (c) of Section I and the warrants and securities mentioned under (a) and (b) of Section II provides immediate or future entitlement.

In the event of the issue of securities giving entitlement to the allocation of capital stock 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 sum immediately reverting or likely to subsequently revert to the Company:

1) in respect of each share issued pursuant to the authorisation conferred under (a) of Section I above;

2) in respect of each of the securities representing a portion of the capital issued or created by conversion, exchange, redemption, presentation of a warrant or by any other means pursuant to the authorisation conferred under (b) of Sections I and II above;

3) and in respect of the exercise of each of the warrants issued pursuant to the authorisations conferred under (c) of Section I and (a) and (b) of Section II above;

must be at least equal to the weighted average share price over the three stock market sessions immediately preceding its setting (possibly less a maximum discount of 5%) following, where applicable, any correction of this average to take into account any difference in dividend entitlement date, on the understanding that the price of warrants issued alone must, per 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 this average.

V. The General Shareholders' Meeting bestows all powers on the Board of Directors, with entitlement to sub-delegate under the conditions provided for by legislation, to implement this delegation, on one or more occasions, in particular, in order to:

- set the terms and conditions for capital increases and decide on the dates and terms and conditions of the issues which shall be made under this resolution;
- set, together with the issuer company(ies), in the cases provided for in Section II, the amounts to be issued, the nature of the securities to be created, their features and terms and conditions of issue (including the terms and conditions for paying up ordinary shares in the Company), the dividend entitlement date of the securities to be created, even if this is retrospective;
- set the start and end dates of the subscription periods, the price, the dividend entitlement date for the issued securities, the terms and conditions for paying up the shares, grant lead-times for their paying up;
- set-off, should it see fit, the expenses, duties and fees incurred in respect of the issues against the amount of corresponding premiums and deduct from this amount the amounts required to ensure that the legal reserve represents one tenth of the new share capital after each increase;
- more generally, do everything which shall be appropriate or required and, in particular, conclude any and all agreements, carry out any and all actions and formalities in order to note the carrying out of the capital increase(s), modify the Articles of Association accordingly, carry out all the necessary formalities for the issued shares to be admitted to trading;
- determine, together with the issuer company(ies), in the cases provided for in Section II, the dates and terms and conditions of the issues, decide on the prices and interest rates, set the amounts to be issued and the form of the securities to be created, their dividend entitlement date, even retrospective, the terms and conditions for their redemption and/or buyback, take decisions and carry out transactions required in the event of the issuing of securities to compensate securities contributed pursuant to a public exchange offer, make any adjustments required in compliance with legal and regulatory provisions, make the modifications to the Articles of Association which are made necessary by use of this delegation and, more generally, take all appropriate dispositions and measures, conclude any and all agreements and conventions in order to duly and properly complete the planned issues, in compliance with effective legislation and regulations.

This delegation, which invalidates any previous authorisation, is valid for twenty-six months as from this Meeting.

## Twenty-sixth resolution (Delegation of authority granted to the Board of Directors in order to increase the share capital by issuing shares or all securities giving access to the share capital as consideration for contributions in kind relating to capital stock or securities giving access to the share capital with the shareholders' preferential subscription right being cancelled)

After having familiarised itself with the report from the Board of Directors and the special report from the Statutory Auditors and in accordance with the provisions of the final paragraph of Article L. 225-147 of the French Commercial Code, the General Shareholders' Meeting, adopting resolutions under the conditions of quorum and majority required for Extraordinary General Shareholders' Meetings:

1. fully empowers the Board of Directors to, up to a maximum of 10% of the share capital, compensate contributions in kind granted to the Company and consisting of capital stock or securities giving access to the share capital, when the provisions of Article L. 225-148 of the French Commercial Code are not applicable, by issuing, on one or more occasions, both in France and abroad, ordinary shares or securities giving access to the Company's share capital;

2. resolves, as and when required, to cancel, for the benefit of the holders of capital stock or securities, which are subject to contributions in kind, the shareholders' preferential subscription right in respect of the capital stock and securities which shall be issued;

3. duly notes that the decision to issue securities giving access to the share capital includes a waiver by the shareholders of their preferential subscription right for the capital stock to which the issued securities provide entitlement under the provisions of Article L. 225-132 of the French Commercial Code;

4. resolves that the par value of the capital increases decided under of this resolution shall be set-off against the overall maximum amount set in the 27th resolution of this Meeting;
5. resolves that the Board of Directors shall have all powers to implement this resolution and, in particular, to decide on the report from the Capital Contributions Auditor(s) *(Commissaires aux apports)*, to decide on all the terms and conditions of the issues, to approve the list of contributors, the valuation of the contributions, the list of securities contributed, to note the resulting capital increase(s), to make any set-offs against the contribution premium(s), in particular, those of the expenses or duties incurred by carrying out the operations or the amounts required to bring the legal reserve up to its maximum amount and, more generally, to do everything which shall be appropriate or required and, in particular, conclude any and all agreements, carry out any and all actions and formalities in order to note the carrying out of the capital increase(s), modify the Articles of Association accordingly, carry out all the necessary formalities for the issued shares to be admitted to trading;
6. sets the period of validity during which the Board of Directors may make use of this delegation at 26 months from the date of this Meeting.

## Twenty-seventh resolution (Limitation of the amount of issues)

The General Shareholders' Meeting resolves that:

- any capital increases resulting from the use of the delegations including the authorisation to issue shares, other securities and warrants granted by the **twenty-third** to **twenty-sixth** resolutions hereinabove, whether immediate or deferred, may not exceed a maximum total par amount of €24,000,000 to which shall be added the amount of any additional capital increases made necessary by the reserving of the rights of the holders of securities providing entitlement, in any manner whatsoever, to the granting of securities representing a portion of the capital.

## Twenty-eighth resolution (Entitlement to use the authorisations during a public offer period)

The General Shareholders' Meeting expressly authorises the Board of Directors to make use, either in full or in part, pursuant to legal provisions, of the various delegations granted by the twenty-third to twenty-sixth resolutions of this General Shareholders' Meeting, in the event of one or more public purchase or exchange offers relating to the securities issued by the Company.

## Twenty-ninth resolution (Delegation of authority granted to the Board of Directors for a capital increase reserved for employees)

After having familiarised itself with the report from the Board of Directors and the special report from the Statutory Auditors and adopting resolutions in accordance with the provisions of Articles L. 225-129, L. 225-129-6 and L. 225-138-1 of the French Commercial Code, the General Shareholders' Meeting, adopting resolutions under the conditions of quorum and majority required for Extraordinary General Shareholders' Meetings, delegates to the Board of Directors, with entitlement to sub-delegate, the necessary authority to increase the share capital, on one or more occasions, by a maximum par amount of **€500,000,** by issuing new cash shares reserved for employees and former employees of the Company and related companies within the meaning of Article L. 225-180 of the French Commercial Code, affiliated to a Company savings plan or collective pension savings plan.

It resolves to cancel, in favour of these employees and former employees, the shareholders' preferential subscription right for ordinary shares to be issued, allocated free-of-charge, where applicable, on the basis of this resolution.

This authorisation is granted for a period of twenty-six months.

The subscription price of the shares shall be set in accordance with the provisions of Articles L. 3332-18 *et seq.* of the French Labour Code.

## Thirtieth resolution (Modifications to the Articles of Association – Article 10 – Bonds)

After having familiarised itself with the report from the Board of Directors, the General Shareholders' Meeting, adopting resolutions under the conditions of quorum and majority required for Extraordinary General Shareholders' Meetings, resolves to remove Article 10 of the Articles of Association relating to bonds and, consequently, to change the numbering of the following Articles, which is currently 11 to 27, to replace them respectively by 10 to 26.

| Current version | New version |
|---|---|
| Only the General Shareholders' Meeting has the authority to decide on or authorise the issuing of bonds. | **None.** |

## Thirty-first resolution (Modifications to the Articles of Association – Article 11 – Board of Directors)

After having familiarised itself with the report from the Board of Directors, the General Shareholders' Meeting, adopting resolutions under the conditions of quorum and majority required for Extraordinary General Shareholders' Meetings, resolves to modify paragraph 1 of Article 11 of the Articles of Association concerning the Board of Directors, in order to adopt the following wording:

| Current version | New version |
|---|---|
| **1.** The Company is managed by a Board with fifteen members. | **1.** The Company is managed by a Board with a **maximum of** fifteen members. |

The remainder of Article 11 is unchanged.

## Thirty-second resolution (Modifications to the Articles of Association – Article 21 – Rules common to General Shareholders' Meetings)

After having familiarised itself with the report from the Board of Directors, the General Shareholders' Meeting, adopting resolutions under the conditions of quorum and majority required for Extraordinary General Shareholders' Meetings, resolves to modify **paragraph 2 and paragraph 4 of Article 21** of the Articles of Association concerning the rules common to General Shareholders' Meetings, to adopt the following wording:

| Current version | New version |
|---|---|
| (…) | (…) |
| **2.** General Shareholders' Meetings are convened by the Board of Directors. Failing this, they may be convened in accordance with effective legislative and regulatory provisions. | **2.** General Shareholders' Meetings are convened by the Board of Directors. Failing this, they may be convened in accordance with effective legislative and regulatory provisions. |
| Meeting notices are sent in accordance with effective legislative and regulatory provisions. | Meeting notices are sent in accordance with effective legislative and regulatory provisions. |
| The agenda is set by the author of the meeting notice. Nevertheless, one or more Shareholders, complying with effective legislative and regulatory requirements, may require that draft resolutions be added to the agenda. | The agenda is set by the author of the meeting notice. Nevertheless, one or more Shareholders, complying with effective legislative and regulatory requirements, may require that **business or** draft resolutions be added to the agenda. |
| Meetings may not discuss business which is not on the agenda. Nevertheless, they may, in all circumstances, remove one or more directors and replace them. | Meetings may not discuss business which is not on the agenda. Nevertheless, they may, in all circumstances, remove one or more directors and replace them. |

| Current version | New version |
| --- | --- |
| (…) | (…) |
| **4.** General Shareholders' Meetings are comprised of all the Shareholders, regardless of the number of shares held; Shareholders may only be represented by another Shareholder or by the spouse of the represented Shareholder. | **4.** General Shareholders' Meetings are comprised of all the Shareholders, regardless of the number of shares held. **A Shareholder may have him/her/itself represented at General Shareholders' Meetings under legal and regulatory conditions.** |
| Entitlement to participate in Meetings is subject to the Shareholder being registered in the share register at least five days prior to the date of the Meeting. | Entitlement to participate in Meetings is subject to the Shareholder being registered in the share register at least five days prior to the date of the Meeting. |
| In order to be entitled to attend Meetings, owners of bearer shares shall file in the places specified in the meeting notice, at least five days before the date of the Meeting, a certificate from the authorised intermediary, attesting to the unavailability of the shares registered in the account until the date of the Meeting. | In order to be entitled to attend Meetings, owners of shares **shall comply with the formalities laid down by effective regulations.** |
| All Shareholders may vote by correspondence using a form which shall be received by the Company three days before the date of the Meeting. | All Shareholders may vote by correspondence using a form which shall be received by the Company three days before the date of the Meeting. |
| | **If the Board of Directors so decides when convening a Meeting, participation in the Meeting by videoconferencing or by any means of telecommunication and remote transmission, including the Internet, is authorised according to the terms and conditions set by effective regulations. Where applicable, this decision is mentioned in the meeting announcement published in the *Bulletin des annonces légales obligatoires.*** |
| | **If the Board of Directors so decides when convening a Meeting, all Shareholders may also send a vote by correspondence or a power of attorney using any means of remote transmission, including the Internet, under the conditions provided for by the regulations which are applicable at the time when the option is used.** |
| | **In the event of use of an electronic form, the Shareholder's signature may either be in the form of a secure signature or of a reliable identification process guaranteeing its connection with the instrument to which it is attached which may, in particular, consist of an identifier and a password. Where applicable, this decision is mentioned in the meeting announcement published in the *Bulletin des annonces légales obligatoires.*** |
| | **The power of attorney or vote thus cast before the Meeting using this electronic means, and the acknowledgment of receipt thereof, shall be considered as non-revocable written documents enforceable against everyone, with it being specified that, in the event of the sale of securities prior to the third business day preceding the Meeting at midnight, Paris time, the Company shall invalidate or modify as a result and accordingly, the power of attorney or vote cast prior to this date and time.** |

The remainder of Article 21 is unchanged.

## Thirty-third resolution (Powers)

The Combined Ordinary and Extraordinary General Shareholders' Meeting grants all powers to the bearer of an original, an extract or a copy of the minutes of this Meeting to carry out any filing or formalities that may be necessary.

# 8.3. REPORTS FROM THE STATUTORY AUDITORS ON THE RESOLUTIONS PRESENTED TO THE GENERAL SHAREHOLDERS' MEETING

## Statutory Auditors' report on the capital decrease by the cancellation of purchased shares – Combined Shareholders' Meeting of May 11, 2011 – 22nd resolution

To the Shareholders,

In our capacity as Statutory Auditors of your Company and in accordance with the procedures provided for in Article L. 225-209 of the French Commercial Code *(Code de commerce)* on the decrease in share capital by the cancellation of purchased shares, we hereby report to you on our assessment of the reasons for and the terms and conditions of the proposed decrease in share capital.

Shareholders are requested to confer all necessary powers on the Board of Directors, during a period of 26 months starting from the day of this Shareholders' Meeting, to cancel, on one or more occasions, up to a maximum of 10% of its share capital by 24-month periods, the shares purchased by the Company pursuant to the authorization to purchase its own shares under the provisions of the above-mentioned Article; this purchase authorization, otherwise submitted for approval to your Shareholders' Meeting (20th resolution), is to be given for a period that will end at the Shareholders' Meeting called to approve the financial statements for fiscal year 2011.

We performed the procedures that we considered necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors *(Compagnie nationale des commissaires aux comptes)* applicable to this engagement. Our procedures consisted, in particular, in verifying the fairness of the reasons for and the terms and conditions of the proposed decrease in share capital, and ensuring that it does not interfere with the equal treatment of shareholders.

We have no comments on the reasons for and the terms and conditions of the proposed decrease in share capital, it being recalled that this transaction may only be carried out if your Shareholders' Meeting approves the purchase by your Company of its own shares.

Neuilly-sur-Seine, 4 March 2011

The Statutory Auditors

| | |
|---|---|
| Ernst & Young et Autres | Deloitte & Associés |
| Aymeric de la MORANDIÈRE | Alain PENANGUER |

# Statutory Auditors' report on the issue of shares and marketable securities with retention and/or waiver of preferential subscription rights – Combined Shareholders' Meeting of May 11, 2011 – 23rd, 25th 26th, 27th and 28th resolutions

To the Shareholders,

As Statutory Auditors of your Company and pursuant to the procedures set forth in the French Commercial Code and notably Articles L. 225-135, L. 225-136, and L. 228-92, we hereby report to you on the proposed delegation of powers to the Board of Directors to perform various issues of shares and marketable securities, which are subject to adoption by the shareholders.

Your Board of Director proposes, based on its report:

- that shareholders delegate to it, for a period of 26 months, the power to decide the following transactions and set the final terms and conditions of these issues and, when necessary, asks that you waive your preferential subscription rights:
  - issue of (a) ordinary shares, (b) marketable securities other than shares conferring entitlement, directly or indirectly, by conversion, exchange, redemption, presentation of a warrant or any other manner, to the allocation, at any time or at set dates, of securities that, for this purpose, will be issued to represent a share of the Company's share capital and (c) warrants that confer on their holders the right to securities representing a share of the Company's share capital, with retention of preferential subscription rights (23rd resolution),
  - issue of (a) ordinary shares, (b) marketable securities other than shares conferring entitlement, directly or indirectly, by conversion, exchange, redemption, presentation of a warrant or any other manner, to the allocation, at any time or at set dates, of securities that, for this purpose, will be issued to represent a share of the Company's share capital and (c) warrants that confer on their holders the right to securities representing a share of the Company's share capital, with waiver of preferential subscription rights (25th resolution – paragraph I), it being specified that these securities may be issued in consideration of securities that would have contributed to the Company as part of a public exchange offer on the securities satisfying the conditions set forth in Article L. 225-148 of the French Commercial Code,
  - issue of ordinary shares, resulting from the issue by one or more companies in which ERAMET holds, directly or indirectly, more than 50% of the share capital, (a) of ERAMET bonds with share subscription warrants attached and (b) marketable securities conferring entitlement, directly or indirectly, by conversion, exchange, redemption, presentation of a warrant or any other manner, to the allocation, at any time or at set dates, of securities that, for this purpose, are or will be issued to represent a share of ERAMET's share capital (25th resolution – paragraph II);
- that shareholders delegate to it, for a period of 26 months, the authority to decide the terms and conditions of an issue of ordinary shares or marketable securities conferring entitlement to ordinary shares, in consideration for contributions in kind granted to the Company and comprised of equity securities or securities conferring entitlement to the Company's share capital (26th resolution), up to a maximum of 10% of the share capital.

Your Board of Directors also proposes, in the 28th resolution that you grant it the power to use these delegations in the event of a tender offer on the Company's shares, in the case where the first paragraph of Article L. 233-33 of the French Commercial Code applies.

The total nominal amount of share capital increases likely to be carried out immediately or in the future may not exceed €24,000,000 pursuant to the 23rd, 24th, 25th and 26th resolutions.

It is the responsibility of the Board of Directors to prepare a report in accordance with Articles R. 225-113, R. 225-114 et R. 225-117 of the French Commercial Code. Our role is to express an opinion on the fair presentation of the quantified information extracted from the accounts, on the proposed waiver of preferential subscription rights and on certain other information concerning these transactions, contained in this report.

We performed the procedures that we deemed necessary in accordance with the professional guidelines of the French Institute of Statutory Auditors *(Compagnie nationale des commissaires aux comptes)* relating to this type of engagement. These procedures consisted in verifying the content of the Board of Directors' report in respect of these transactions and the terms and conditions governing the determination of the issue price of equity securities to be issued.

Subject to a subsequent review of the terms and conditions of proposed issues, we have no comments on the terms and conditions governing the determination of the issue price of equity securities to be issued presented in the Board of Directors' report in connection with the 25th resolution.

Furthermore, as the report does not include information on the terms and conditions governing the determination of the issue price of equity securities to be issued pursuant to the 23rd and 26th resolutions, we cannot express an opinion on the issue price calculation inputs.

As the issue price of equity securities to be issued has not been set yet, we do not express an opinion on the final terms and conditions under which the issues will be performed and, as such, on the proposed waiver of preferential subscription rights submitted for your approval in the 25th resolution and when needed in the 26th.

In accordance with Article R. 225-116 of the French Commercial Code, we shall issue an additional report on the performance by your Board of Directors of any issues with waiver of preferential subscription rights or of any issues of marketable securities conferring entitlement to the Company's share capital.

Neuilly-sur-Seine, 4 March 2011

The Statutory Auditors

Ernst & Young et Autres
Aymeric de la MORANDIÈRE

Deloitte & Associés
Alain PENANGUER

# Statutory Auditors' report on the share capital increase with waiver of preferential subscription rights reserved for employees who are members of a corporate savings plan or a group retirement plan – Combined Shareholders' Meeting of May 11, 2011 – 29th resolution

To the Shareholders,

In our capacity as Statutory Auditors of your Company and in accordance with the procedures provided for in Articles L. 225-135 *et seq.* of the French Commercial Code *(Code de commerce),* we hereby report to you on the proposed share capital increase with waiver of your preferential subscription rights for a nominal amount of €500,000, reserved for current and former employees of the Company and affiliated companies within the meaning of Article L. 225-180 of the French Commercial Code, that are members of a corporate savings plan or a group retirement plan. You are being asked to vote on this transaction.

Shareholders are asked to approve this share capital increase pursuant to Article L. 225-129-6 of the French Commercial Code and Article L. 3332-18 *et seq.* of the French Labor Code *(Code du travail).*

Your Board of Directors recommends that, based on its report, you confer on it, for a period of 26 months, the authority to set the terms and conditions of this transaction and proposes that you waive your preferential subscription rights.

It is the Board of Directors' responsibility to prepare a report in accordance with Articles R 225-113 and R. 225-114 of the French Commercial Code. Our role is to express an opinion on the fairness of the quantified data extracted from the financial statements, on the proposed waiver of preferential subscription rights and on certain other information pertaining to the issuance as presented in this report.

We performed the procedures that we considered necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors *(Compagnie nationale des commissaires aux comptes)* applicable to this engagement. Such procedures consisted in verifying the content of the Board of Directors' report as it relates to this transaction and the terms and conditions under which the issue price of the shares was determined.

Subject to our subsequent review of the terms and conditions of the proposed capital increase, we have no comments to make on the procedures for determining the issue price of the shares to be issued as presented in the Board of Directors' report.

As the issue price of the shares to be issued has not been determined, we express no opinion on the final terms and conditions under which the capital increase will be carried out and, consequently, on the proposed waiver of preferential subscription rights on which you are being asked to vote.

In accordance with Article R. 225-116 of the French Commercial Code, we will issue an additional report, where necessary, when this capital increase is carried out by your Board of Directors.

Neuilly-sur-Seine, 4 March 2011

The Statutory Auditors

| Ernst & Young et Autres | Deloitte & Associés |
|---|---|
| Aymeric de la MORANDIÈRE | Alain PENANGUER |

# Additional Information



9

# 9.1. PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT

## 9.1.1. Name and position of person responsible

Mr Patrick Buffet

Chairman and Chief Executive Officer of ERAMET.

## 9.1.2. Declaration by the person responsible for the Reference Document

I declare that to the best of my knowledge, and after having taken all reasonable measures in this regard, the information in this Reference Document is accurate and has no material omission.

I declare that, to my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of the Company and of all the companies within the scope of consolidation and that the Management Report (shown in chapters 1 – Group overview, 2 – Business activities, 3 – Risk factors, 4 – Corporate governance, 5 – Sustainable development and 7 – Information on the Company and its capital) presents a true and fair view of the business developments, results and financial position of the Company and of all companies within the scope of consolidation as well as a description of the main risks and uncertainties they face.

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

A report of the statutory auditors on the consolidated 2010 financial statements set out in the Reference Document appears on page 218 of that Document. That report contains an observation on the first-time adoption of IFRS 3 “business combinations” and IAS 27 “Consolidated and Separate Financial Statements”, the impacts of which are described in notes 1.1 “General principles and compliance declaration” and 2 “Consolidation perimeter” of the Notes to the consolidated financial statements.

| | |
|---|---|
| Name: | Patrick Buffet |
| Position: | Chairman and CEO |
| Signature: | Signed in Paris on 5 April 2011 |

# 9.2. STATUTORY AUDITORS

The Company's individual and consolidated financial statements are audited by the Statutory Auditors listed below:

## 9.2.1. Incumbent Statutory Auditors

### 9.2.1.1. ERNST & YOUNG AND OTHERS

Address: 41, rue Ybry – 92200 Neuilly-sur-Seine, entry No. 438 476 943 in the Nanterre Trade and Corporate Register.

Partner responsible for the audit: Aymeric de la Morandière.

Date of appointment: Shareholders' General Meeting of 13 May 2009.

Term expiry date: Shareholders' General Meeting called in 2015 to approve the financial statements for 2014.

Ernst & Young Audit, Tour Ernst & Young, 11, allée de l'Arche, Paris-La Défense Cedex, France, represented by Mr François Carrega as partner responsible for the audit, having exercised this function for the six previous financial years.

### 9.2.1.2. DELOITTE & ASSOCIÉS

Address: 185, avenue Charles-de-Gaulle, 92254 Neuilly-sur-Seine Cedex, entry No. 572 028 041 in the Nanterre Trade and Corporate Register.

Partner responsible for the audit: Alain Penanguer.

Date of appointment: Shareholders' General Meeting of 11 May 2005, for renewal at the Shareholders' General Meeting of 13 May 2009.

Term expiry date: Shareholders' General Meeting called in 2015 to approve the financial statements for 2014.

Mr Nicholas L. E. Rolt was the partner responsible for the audit for Deloitte & Associés until the renewal in office on 13 May 2009.

## 9.2.2. Alternate Statutory Auditors

### 9.2.2.1. AUDITEX

Address: Tour Ernst & Young, 11, allée de l'Arche – Paris-La Défense Cedex, France, entry No. 377 652 938 in the Nanterre Trade and Corporate Register.

Date of appointment: Shareholders' General Meeting of 13 May 2009.

Term expiry date: Shareholders' General Meeting called in 2015 to approve the financial statements for 2014.

Mr Jean-Marc Montserrat, having exercised this function for the six previous financial years.

### 9.2.2.2. CABINET BEAS (BUREAU D'ÉTUDES ADMINISTRATIVES SOCIALES ET COMPTABLES)

Address: 7/9, villa-Houssay, 92524 Neuilly-sur-Seine Cedex, entry No. 315 172 445 in the Nanterre Trade and Corporate Register.

Date of appointment: Shareholders' General Meeting of 11 May 2005, for renewal at the Shareholders' General Meeting of 13 May 2009.

Term expiry date: Shareholders' General Meeting called in 2015 to approve the financial statements for 2014.

# 9.3. FINANCIAL INFORMATION

## 9.3.1. Name of the person responsible for information release

| | |
|---|---|
| Person responsible: | Mr Philippe Joly |
| Position: | Strategy and Financial Communications Manager. |
| Address: | ERAMET |
| | Tour Maine-Montparnasse |
| | 33, avenue du Maine |
| | 75755 Paris Cedex 15 |
| | Telephone: 33 (0) 1 45 38 42 02 |

## 9.3.2. Terms and timetabling of information release

Frequency: in accordance with the regulations, ERAMET publishes its annual and interim results and releases its quarterly sales figures.

Information release: in addition to legal publication in financial publications, press releases and all regulated financial information are made available to the public on the Company's website (http://www.eramet.fr – Investors section), and released in accordance with the AMF regulations.

The Articles of Association, Meeting minutes, separate and consolidated financial statements, reports of the Statutory Auditors and all documents made available to shareholders can be consulted at the Company's registered office.

All data indicated in this document, for which no source is specifically indicated, are from the Company's internal reporting and data.

All copies of documents included within this Reference Document can be found on ERAMET's Website (http://www.eramet.fr) or by requesting them from the Company's Director of Legal Affairs at its registered office: Tour Maine Montparnasse – 33, avenue du Maine, 75015 Paris, France.

### 9.3.2.1. 2011 DIARY

| | | |
|---|---|---|
| Publication of the 2010 annual sales and results: | 17 February 2011 | (before trading) |
| Publication of first-quarter sales: | 28 April 2011 | (before trading) |
| Shareholders' General Meeting: | 11 May 2011 | |
| Publication of 1st half-year sales and results: | 28 July 2011 | (before trading) |
| Publication of third-quarter sales: | Thursday, 27 October 2011 | (before trading) |

## 9.3.3. List of financial-information releases including press releases

**17 February 2011:** 2010 annual results

**28 October 2010:** Sales for 3rd quarter 2010

**20 October 2010:** Signature of the agreement with the Gabonese Republic increasing its interest in the share capital of Comilog

**14 October 2010:** Agreement with the Gabonese Republic to increase its interest in the share capital of Comilog

**29 July 2010:** Results for 1st half-year 2010

**13 July 2010:** Agreement between STCPI and ERAMET on the SLN shareholders' agreement

**21 June 2010:** 2009 dividend payment

**20 May 2010:** Shareholders' General Meeting

**29 April 2010:** Sales for the 1st quarter 2010

**27 April 2010:** Request for inclusion of 4 draft resolutions on the agenda for the Shareholders' General Meeting

**18 February 2010:** 2009 annual results

**16 February 2010:** Bolloré – ERAMET – agreement on the exploitation of lithium deposits in Argentina.

**20 January 2010:** Information release on the litigation by Carlo Tassara France

#### Publications in the BALO compulsory legal notices bulletin

| | |
|---|---|
| Announcement validly calling the Shareholders' General Meeting | 9 April 2010 |
| Notice calling the Shareholders' General Meeting | 3 May 2010 |
| Amendment to the notice calling the Shareholders' General Meeting: | 14 May 2010 |
| Notice of approval of financial statements without amendment: | 4 June 2010 |

# 9.4. LIST OF REPORTS – FINANCIAL YEAR ENDED ON 31 DECEMBER 2010

## Internal reports

| | Section |
|---|---|
| Report by the Chairman of the ERAMET Board of Directors – Financial Year 2010 | 4.1 |

## External reports

| | Section |
|---|---|
| Statutory Auditors' Report on the 2010 consolidated financial statements | 6.1.3 |
| Statutory Auditors' Report on the 2010 annual financial statements | 6.2.4 |
| Statutory Auditors' Special Report on related-party agreements and commitments in 2010 | 6.2.5 |
| Statutory Auditors' Report drawn up pursuant to Article L 225-235 of the French Commercial Code on the report of the Chairman of the Board of Directors of ERAMET – 2010 Financial Year | 4.1 |
| Statutory Auditors' Report on the resolutions submitted to the Shareholders' General Meeting | 8 |

# 9.5. TABLE OF CORRESPONDENCE WITH THE ANNUAL FINANCIAL REPORT

This Reference Document contains all the information required in annual financial reports pursuant to Article L. 451-1-2 of the French Monetary and Financial Code and Article 222-3 of the General Regulations of the AMF.

In order to facilitate the reading of this annual financial report, the concordance table below identifies the sections contained herein.

| No. | Annual financial report information | Reference document |
|---|---|---|
| 1 | Senior managers' declaration attesting to the truthfulness and accuracy of information | Section 9.1 |
| 2 | Consolidated financial statements | Section 6.1 |
| 3 | Statutory Auditors' Report on the consolidated financial statements – Financial year ended 31 December 2010 | Section 6.1.3 |
| 4 | Separate parent-company financial statements – Financial Year ended 31 December 2010 | Section 6.2 |
| 5 | Statutory Auditors' Report on the annual financial statements – Financial year ended 31 December 2010 | Sections 6.2.4 and 6.2.5 |
| 6 | Management report:<br>- Business activities,<br>- Financial commentary,<br>- Research and Development,<br>- Organisation chart,<br>- Information on workforce and management remuneration,<br>- Environmental information,<br>- Table of delegations of powers to increase share capital,<br>- Factors likely to influence a public offer,<br>- Share buybacks. | <br>- Sections 1, 2 & 4<br>- Section 1<br>- Section 2<br>- Section 2<br>- Sections 4 & 5<br>- Section 5<br>- Section 7<br>- Section 7<br>- Section 7 |
| 7 | Fees paid to the Statutory Auditors | Section 6.5 |
| 8 | Report by the Chairman of the ERAMET Board of Directors –<br>Statutory Auditors' Report drawn up pursuant to Article L 225-235 of the French Commercial Code on the report by the Chairman of the ERAMET Board of Directors | Section 4 |

# 9.6. TABLE OF CONCORDANCE WITH EUROPEAN REGULATION NO. 809-2004

The following correspondence table identifies the main sections required under European Regulation no. 809-2004, implementing the "Prospectus" directive.

| Section | Information | Reference document |
|---|---|---|
| 1 | Persons responsible | 9.1 |
| 1.1 | Persons responsible | 9.1 |
| 1.2 | Declaration by the persons responsible | 9.1 |
| 2 | Statutory auditors | 9.2 |
| 2.1 | Information on the statutory auditors | 9.2 |
| 2.2 | Changes | Not applicable. |
| 3 | Selected financial information | 1 |
| 3.1 | Selected financial information | 1 |
| 3.2 | Interim periods | Not applicable. |
| 4 | Risk factors | 3 |
| 5 | Information concerning the issuer | |
| 5.1 | History and development of the Company | 1.3 |
| 5.2 | Capital expenditure | 1.2.4 |
| 6 | Business overview | |
| 6.1 | Main activities | 2 |
| 6.2 | Main markets | 2 |
| 6.3 | Exceptional events, if any, likely to affect activities and markets | 2 |
| 6.4 | Likely dependence | 2 |
| 6.5 | Competitive position | 2 |
| 7 | Organisational structure | |
| 7.1 | Group | 4.1 |
| 7.2 | Major subsidiaries | 2.1 |
| 8 | Real property, production sites, plant and equipment | |
| 8.1 | Major investment in property, plant and equipment | 2.7 |
| 8.2 | Environmental aspects of such plant and equipment | 5.3 |
| 9 | Examination of financial position and earnings | |
| 9.1 | Financial position | 1.2 |
| 9.2 | Operating profit (loss) | 1.2 |
| 10 | Cash, cash equivalents and capital | |
| 10.1 | Capital | 1.2 |
| 10.2 | Cash flows | 1.2 |
| 10.3 | Financing structure | 1.2 |
| 10.4 | Any restrictions on the use of capital | 1.2 |
| 10.5 | Sources of finance | 1.2 |
| 11 | Research and development – Patents and licences | 2.8 |
| 12 | Information on trends | |
| 12.1 | Trends | 1 |
| 12.2 | Likely influence, if any | 1 |
| 13 | Profit forecasts or estimates | |
| 13.1 | Assumptions | Not applicable |
| 13.2 | Report | Not applicable |
| 13.3 | Comparison | Not applicable |
| 13.4 | Updating | Not applicable |

| Section | Information | Reference document |
|---|---|---|
| 14 | Administrative, management and supervisory bodies, and General Management | |
| 14.1 | Information on members | 4 |
| 14.2 | Conflicts of interest | 4 |
| 15 | Remuneration and benefits | |
| 15.1 | Remuneration | 4 |
| 15.2 | Pensions and other retirement schemes, other benefits | 4 |
| 16 | Functioning of Administrative and management bodies | |
| 16.1 | Term of office expiry dates | 4 |
| 16.2 | Service contracts | 4 |
| 16.3 | Committees | 4 |
| 16.4 | Corporate-governance declaration | 4 |
| 17 | Employees | |
| 17.1 | Employee information | 5.14 |
| 17.2 | Profit sharing and options to subscribe shares | 5.14 |
| 17.3 | Employee profit sharing | 5.14 |
| 18 | Principal shareholders | |
| 18.1 | Shareholders | 7.2 |
| 18.2 | Voting rights | 7.2 |
| 18.3 | Shareholding and control | 7.2 |
| 18.4 | Control-related agreements | 7.4 |
| 19 | Related-party transactions | 6.2 |
| 20 | Financial information on the issuer’s assets and liabilities, financial position and results | |
| 20.1 | Historic financial information | 6 |
| 20.2 | Pro forma financial information | Not applicable |
| 20.3 | Financial statements | 6 |
| 20.4 | Verification of historic financial information | 6 |
| 20.5 | Date of latest published financial information | 6 |
| 20.6 | Interim and other financial information | Not applicable |
| 20.7 | Dividend policy | 6.4 |
| 20.8 | Judicial and arbitral proceedings | 3 and 6 |
| 20.9 | Significant changes in the financial or commercial situation | Not applicable |
| 21 | Additional information | |
| 21.1 | Share capital | 7 |
| 21.2 | Memorandum and articles of association | 7 |
| 22 | Major contracts | 3 |
| 23 | Third-party information, statement by experts and declarations of interest | |
| 23.1 | Declarations of interest | Not applicable |
| 23.2 | Declaration | Not applicable |
| 24 | Public-access documents | 9 |
| 25 | Information on equity investments | 2/6 |

# 9.7. GLOSSARY

## 9.7.1. Processes

**Acid leaching**

Exploiting nickel oxide ores (laterites) by dissolving them in acid.

**Alloy metallurgy**

- Air metallurgy smelting is performed in an arc furnace, followed by metallurgical processing in which alloying metals are added and impurities eliminated in order to obtain the required chemical composition.
- Vacuum metallurgy: this smelting process is used for high-stress alloys (nitrogen content, alloy elements reactive to oxygen, etc.). It is performed in VIM vacuum induction furnaces (vacuum induction melting).
- Remelting: this is essential for certain critical parts used in aerospace and energy. This process better controls segregations and inclusion morphology, as well as lowering the gas content, thus significantly increasing the mechanical-reliability properties.
- Powder metallurgy: manufacturing alloys with highly advanced characteristics by spraying a liquid-metal jet then compacting the powder so obtained at very high pressure and at high temperature.

**Closed die-forging**

Complex shaping of a pre-forged blank between two hollowed dies, in a single, slow stroke.

**Forging**

Plastic deformation of the metal between two flat tools. Forging produces parts with simple geometry.

**Hydrometallurgy**

Reduction of metal oxides and chemical metal-oxide separation (dissolution with an attacking agent, then extraction by solvent or electrolysis).

**Ore beneficiation**

Used by Société Le Nickel-SLN, this innovative technology uses sorting by grain size and density to increase ore content in order to exploit a larger proportion of the deposit and hence, increase the lifespan of reserves.

**Press**

Industrial tool use for closed die-forging (defined earlier). Its power is measured in thousands of tonnes.

**Pyrometallurgy**

Reduction of metal oxides and metal-oxide separation by melting (blast furnace or electric furnace).

**Rolling**

Reducing the thickness of an ingot, bar or sheet, etc., by passing it between rotating cylinders in a rolling mill.

## 9.7.2. Products

**Alloys**

Metallic materials composed of different metals with special properties making them suitable for specific uses, such as wear or corrosion resistance, mechanical strength at high temperatures, etc.

**Cobalt 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.

**Electrolytic Manganese Dioxide (EMD)**

Active agent in alkaline disposable batteries.

**Ferroalloys**

Alloys containing iron and at least one other metal added to the liquid metal during the steel manufacturing process to adjust the composition to procure the required properties.

**Grades**

Different kinds of steel obtained by varying the metal alloys used in their composition in order to obtain specific characteristics. Each grade is suited to particular needs.

**High-speed steels**

Very strong, wear-resistant steels, with a high degree of hardness both cold and under heat, mainly used to manufacture cutting tools (bits, taps, cutters and saws, etc.) for metal machining.

**Long products**

Semi-finished products made of alloys with advanced characteristics, and used in further processing.

**Manganese**

Consumed in alloy form (ferromanganese, silicomanganese), this metal is used in steelmaking in the proportion of 6 to 7% In order to improve its hardness, abrasion resistance, elasticity and surface condition when rolled. It is also used for deoxidation/desulphurisation in the manufacturing process. Other applications: chemistry, disposable and rechargeable batteries, electronic circuits, fertilisers, aluminium hardener, etc.

**Nickel**

An essential element in alloys, this metal confers numerous properties to steel according to grade: resistance to atmospheric corrosion when combined with chromium (stainless steel), resistance to high temperatures, ductility, mechanical strength, electrical resistance, magnetic properties, etc. Nickel can be recycled indefinitely.

**Superalloys**

Alloys of several metals with nickel generally predominant (nickel-based superalloys), with advanced characteristics of mechanical strength at high temperatures and corrosion resistance. Superalloys are used to manufacture parts for aeronautics and space applications, energy production, the chemical industry and environmental preservation.

# 9.8. ADDRESSES OF THE CONSOLIDATED SUBSIDIARIES

| | Nickel | Manganese | Alloys | Holding Co. | Consolidation method | Percentage interest |
|---|---|---|---|---|---|---|
| **Argentina** | | | | | | |
| **Bolera Minera**<br>Avenida Cordoba 1233, Piso 2, Ciudad de Buenos Aires<br>Argentina | | | | ✓ | Proportional consolidation | 50.00% |
| **Eramine Sud America**<br>Avenida Cordoba 1233, Piso 2, Ciudad de Buenos Aires<br>Argentina | | | | ✓ | Full consolidation | 100.00% |
| **Australia** | | | | | | |
| **Weda Bay Minerals Pty Ltd (Nickel)**<br>Unit 5, 46 Hillside Crescent Hamilton<br>Queensland 4007<br>PO Box 508<br>Fortitude Valley Qld 4006<br>Australia<br>(617) 3624 8103 | ✓ | | | | Full consolidation | 100.00% |
| **Belgium** | | | | | | |
| **Erachem Comilog S.A.**<br>Rue du Bois<br>7334 Saint-Ghislain<br>Belgium | | ✓ | | | Full consolidation | 65.08% |
| **Canada** | | | | | | |
| **Gulf Chemical and Metallurgical Canada Corporation**<br>P. O. Box 3510<br>55418 Range Road 214<br>Fort Saskatchewan, Alberta<br>Canada T8L4A4 +1 (780) 998 8700 | | ✓ | | | Full consolidation | 65.08% |
| **Weda Bay Minerals Inc. (Nickel)**<br>14th Floor,<br>220 Bay Street<br>Toronto<br>Ontario, M5J2W4<br>Canada<br>(416) 603 0591 | ✓ | | | | Full consolidation | 100.00% |
| **China** | | | | | | |
| **ERAMET Comilog Shanghai Trading Co. Ltd.**<br>Room 2612,<br>26 Floor Bank of China Tower No. 200<br>Yin Cheng Zhong Road, Pudong,<br>Shanghai,<br>China<br>86-21-6100 6161 | | ✓ | | | Full consolidation | 93.02% |
| **Erasteel Innovative Material Co Ltd.**<br>Room 2607-2612<br>Bank of China Tower No. 200<br>Yin Cheng Zhong Road<br>Pudong 200-120, Shanghai<br>China | | | ✓ | | Full consolidation | 100% |

| | Nickel | Manganese | Alloys | Holding Co. | Consolidation method | Percentage interest |
|---|---|---|---|---|---|---|
| **Guangxi ERAMET Comilog Chemicals**<br>Room 2612-26F China Bank Tower 200<br>Yincheng Road Central Pudong<br>Shanghai 200120<br>China<br>86- 21 6100 6161 | | ✓ | | | Full consolidation | 93.02% |
| **Guangxi Comilog Ferro Alloys Ltd.**<br>Fenghuang Town, Laibin County,<br>Guangxi Province, 546102<br>China<br>86- 7724 812 288 | | ✓ | | | Full consolidation | 65.11% |
| **Guilin Comilog Ferro Alloys Ltd.**<br>Unit 1201, Huaneng Union Tower<br>No. 139<br>Yin Cheng Dong Road, Pudong 200120<br>Shanghai P.R.C.<br>China<br>86-21 6881-0625 | | ✓ | | | Full consolidation | 93.02% |
| **France** | | | | | | |
| **Airforge**<br>75, bd de la Libération<br>BP 173<br>09102 Pamiers Cedex<br>France<br>33 (0) 4 77 40 36 47<br>33 (0) 5 61 68 44 24/22 | | | ✓ | | Full consolidation | 100.00% |
| **Aubert & Duval**<br>Tour Maine Montparnasse<br>33, avenue du Maine<br>75755 Paris Cedex 15<br>France<br>33 (0) 1 45 38 42 42 | | | ✓ | | Full consolidation | 100.00% |
| **Comilog Dunkerque**<br>Tour Maine Montparnasse<br>33, avenue du Maine<br>75755 Paris Cedex 15<br>France<br>33 (0) 1 53 91 24 05 | | ✓ | | | Full consolidation | 65.08% |
| **Comilog France**<br>Tour Maine Montparnasse<br>33, avenue du Maine<br>75755 Paris Cedex 15<br>France<br>33 (0) 1 53 91 24 05 | | ✓ | | | Full consolidation | 65.08% |
| **Comilog Holding**<br>Tour Maine Montparnasse<br>33, avenue du Maine<br>75755 Paris Cedex 15<br>France<br>33 (0) 1 45 38 42 42 | | ✓ | | | Full consolidation | 65.08% |
| **Comilog International**<br>Tour Maine Montparnasse<br>33, avenue du Maine<br>75755 Paris Cedex 15<br>France<br>33 (0) 1 45 38 42 42 | | ✓ | | | Full consolidation | 65.08% |
| **ERAMET**<br>Tour Maine Montparnasse<br>33, avenue du Maine<br>75755 Paris Cedex 15<br>France<br>33 (0) 1 45 38 42 42 | | | | | Consolidating entity | |

| | Nickel | Manganese | Alloys | Holding Co. | Consolidation method | Percentage interest |
|---|---|---|---|---|---|---|
| **ERAMET Alliages**<br>Tour Maine Montparnasse<br>33, avenue du Maine<br>75755 Paris Cedex 15<br>France<br>33 (0) 1 45 38 42 42 | | | ✓ | | Full consolidation | 100.00% |
| **ERAMET Comilog Manganèse**<br>Tour Maine Montparnasse<br>33, avenue du Maine<br>75755 Paris Cedex 15<br>France<br>33 (0) 1 45 38 42 42 | | ✓ | | | Full consolidation | 82.54% |
| **ERAMET Holding Nickel**<br>Tour Maine Montparnasse<br>33, avenue du Maine<br>75755 Paris Cedex 15<br>France<br>33 (0) 1 45 38 42 42 | ✓ | | | | Full consolidation | 100.00% |
| **ERAMET Holding Manganèse**<br>Tour Maine Montparnasse<br>33, avenue du Maine<br>75755 Paris Cedex 15<br>France<br>33 (0) 1 45 38 42 42 | | ✓ | | | Full consolidation | 100.00% |
| **Eramine**<br>Tour Maine Montparnasse<br>33, avenue du Maine<br>75755 Paris Cedex 15<br>France<br>33 (0) 1 45 38 42 42 | | | | ✓ | Full consolidation | 100.00% |
| **Erasteel**<br>Tour Maine Montparnasse<br>33, avenue du Maine<br>75755 Paris Cedex 15<br>France<br>33 (0) 1 45 38 42 42 | | | ✓ | | Full consolidation | 100.00% |
| **Erasteel Commentry**<br>1, place Martenot<br>BP 1<br>03600 Commentry<br>France<br>33 (0) 4 70 28 78 00 | | | ✓ | | Full consolidation | 100.00% |
| **Erasteel Champagnole**<br>23, rue Georges-Clemenceau<br>BP 104<br>39300 Champagnole<br>France<br>33 (0) 3 84 52 64 44 | | | ✓ | | Full consolidation | 100.00% |
| **Eurotungstène**<br>9, rue André-Sibellas<br>BP 152X<br>38042 Grenoble Cedex 9<br>France<br>33 (0) 4 76 70 54 54 | ✓ | | | | Full consolidation | 100.00% |
| **Interforge**<br>Z.I. de la Maze<br>BP 75<br>63501 Issoire<br>France<br>33 (0) 4 73 89 07 83 | | | ✓ | | Full consolidation | 94.00% |

| | Nickel | Manganese | Alloys | Holding Co. | Consolidation method | Percentage interest |
|---|---|---|---|---|---|---|
| **Metal Currencies**<br>Tour Maine Montparnasse<br>33, avenue du Maine<br>75755 Paris Cedex 15<br>France<br>33 (0) 1 45 38 42 42 | | | | ✓ | Full consolidation | 100.00% |
| **Metal Securities**<br>Tour Maine Montparnasse<br>33, avenue du Maine<br>75755 Paris Cedex 15<br>France<br>33 (0) 1 45 38 42 42 | | | | ✓ | Full consolidation | 100.00% |
| **S.I.M.A.**<br>Tour Maine Montparnasse<br>33, avenue du Maine<br>75755 Paris Cedex 15<br>France<br>33 (0) 1 40 88 20 55 | | | ✓ | | Full consolidation | 100.00% |
| **UKAD**<br>Tour Maine Montparnasse<br>33, avenue du Maine<br>75755 Paris Cedex 15<br>France<br>33 (0) 1 45 38 42 42 | | | ✓ | | Proportional consolidation | 50.00% |
| **Valdi**<br>1, bd de la Boissonnette<br>42110 Feurs<br>France<br>33 (0) 4 77 27 40 92 | | ✓ | | | Full consolidation | 100.00% |
| **Gabon** | | | | | | |
| **Comilog S.A.**<br>Compagnie minière de l'Ogooué,<br>Z.I. de Moanda BP 27-28<br>Gabon<br>241-66 10 00 | | ✓ | | | Full consolidation | 65.08% |
| **PMO (Port Minéralier d'Owendo)**<br>Compagnie Minière de l'Ogooué,<br>Z.I. de Moanda BP 27-28<br>Gabon<br>241-66 10 00 | | ✓ | | | Full consolidation | 63.30% |
| **Setrag**<br>BP 578 Libreville<br>Gabon<br>00241708049 | | ✓ | | | Full consolidation | 55.25% |
| **Hong Kong** | | | | | | |
| **Comilog Asia Ferro Alloys Ltd.**<br>Unit 1402, Tower one, Lippo Centre<br>89, Queensway, Admiralty<br>Hong Kong<br>852-2 529 60 60 46 | | ✓ | | | Full consolidation | 93.02% |
| **Comilog Asia Ltd.** Unit 1402,<br>Tower one, Lippo Centre<br>89, Queensway, Admiralty<br>Hong Kong<br>852-2 529 31 99 | | ✓ | | | Full consolidation | 93.02% |
| **Comilog Far East Development Ltd.**<br>Unit 1402, Tower one, Lippo Centre<br>89, Queensway, Admiralty<br>Hong Kong<br>852-2 529 31 99 | | ✓ | | | Full consolidation | 93.02% |

| | Nickel | Manganese | Alloys | Holding Co. | Consolidation method | Percentage interest |
|---|---|---|---|---|---|---|
| **Indonesia** | | | | | | |
| **Pt Weda Bay Nickel**<br>Wisma Raharja 8th Floor<br>Jl. TB. Simatupang, Kav. 1<br>Cilandak Timur – Jakarta Selatan 12560<br>Indonesia<br>+62 (21) 788 49 866 | ✓ | | | | Full consolidation | 59.94% |
| **Luxembourg** | | | | | | |
| **Eras S.A.**<br>6 B Route de Trève L-2633 Luxembourg<br>Luxembourg | | | | ✓ | Full consolidation | 100.00% |
| **Mexico** | | | | | | |
| **Erachem Mexico**<br>Carretera Tampico – Valles km. 28<br>Tamos, Panuco, Vert. CP 92018 Mexico<br>Mexico<br>52-1 210 27 62 | | ✓ | | | Full consolidation | 65.08% |
| **New Caledonia** | | | | | | |
| **Cominc**<br>BP E5 98848 Nouméa Cedex<br>New Caledonia<br>687-24 55 55 | ✓ | | | | Full consolidation | 56.00% |
| **Société Le Nickel-SLN**<br>BP E5 98848 Nouméa Cedex<br>New Caledonia<br>687-24 55 55 | ✓ | | | | Full consolidation | 56.00% |
| **Poum SAS**<br>**98**848 Nouméa Cedex<br>New Caledonia<br>687-24 55 55 | ✓ | | | | Full consolidation | 56.00% |
| **Norway** | | | | | | |
| **ERAMET Norway A/S**<br>P.O. Box 82 –<br>N-3901 Porsgrunn<br>Norway<br>47 35 56 18 00 | | ✓ | | | Full consolidation | 100.00% |
| **Eralloys Holding A/S**<br>Vollsveien 13H<br>P.O. Box 103<br>N – 1325 Lysaker<br>Norway<br>47 67 10 3425 | | ✓ | | | Full consolidation | 100.00% |
| **Tinfos A/S**<br>O. H. Holtas gate 21<br>N – 3678 Notodden<br>Norway<br>47 53 65 25 00 | | ✓ | | | Equity consolidation | 33.35% |
| **Tinfos Energi A/S**<br>Oyesletta 61<br>P.O. Box 246<br>N – 4491 Kvinesdal<br>Norway<br>47 38 35 72 00 | | ✓ | | | Full consolidation | 100% |

| | Nickel | Manganese | Alloys | Holding Co. | Consolidation method | Percentage interest |
|---|---|---|---|---|---|---|
| **DNN Industrier A/S**<br>Gl Oddavei 6<br>N – 5770 Tyssedal<br>Postal C/O Tinfos A/S<br>O. H. Holtas gate 21 -<br>N – 3678 Notodden<br>Norway<br>47 53 65 25 00 | | ✓ | | | Full consolidation | 100% |
| **ERAMET Norway A/S**<br>Gl Oddavei 6<br>N – 5770 Tyssedal<br>Norway<br>47 53 65 25 00 | | ✓ | | | Full consolidation | 100% |
| **ERAMET Titanium & Iron A/S**<br>Gl Oddavei 6<br>N – 5770 Tyssedal<br>Norway<br>47 53 65 25 00 | | ✓ | | | Full consolidation | 100% |
| **ERAMET Norway Kvinesdal A/S**<br>Oyesletta 61<br>P.O. Box 246<br>N – 4491 Kvinesdal<br>Norway<br>47 38 35 72 00 | | ✓ | | | Full consolidation | 100% |
| **Singapore** | | | | | | |
| **Strand Minerals (Indonesia) Pte Ltd.**<br>(Nickel)<br>8 Marina Boulevard, #05-02 Marina Bay Financial Centre Tower 1, Singapore 018981.<br>Singapore | ✓ | | | | Full consolidation | 66.66% |
| **Sweden** | | | | | | |
| **Erasteel Kloster AB**<br>Box 100<br>815 82 Söderfors<br>Sweden<br>46 (0) 293 17 000 | | | ✓ | | Full consolidation | 100.00% |
| **Switzerland** | | | | | | |
| **Comilog Lausanne**<br>Avenue C.F. Ramuz 43<br>1009 Pully<br>Switzerland<br>41 21 – 729 45 03 | | ✓ | | | Full consolidation | 65.08% |
| **Unimin Holding GmbH**<br>Industriestrasse 47<br>6304 Zug<br>Switzerland | ✓ | | | | Full consolidation | 100.00% |
| **The Netherlands** | | | | | | |
| **Miner Holding BV**<br>Rokin 55 Amsterdam<br>The Netherlands | | ✓ | | | Full consolidation | 65.08% |
| **United Kingdom** | | | | | | |
| **Erasteel Stubs Ltd.**<br>Causeway Avenue WA4 6QB<br>Warrington United Kingdom<br>44 (0) 1925 41 3870 | | | ✓ | | Full consolidation | 100.00% |

| | Nickel | Manganese | Alloys | Holding Co. | Consolidation method | Percentage interest |
|---|---|---|---|---|---|---|
| **United States** | | | | | | |
| **Bear Metallurgical Corp.**<br>302 Midway Road – P.O. Box<br>2290 Freeport Texas 77541<br>United States<br>1-979 233 7882 | | ✓ | | | Full consolidation | 65.08% |
| **Comilog US**<br>610 Pittman Road MD 21226<br>Baltimore, Maryland, United States<br>1-410 636 71 26 | | ✓ | | | Full consolidation | 65.08% |
| **ERAMET Marietta Inc.**<br>P.O. Box 299<br>State Route 7 – South Marietta, Ohio<br>45750-0299<br>United States<br>1-740 374 1000 | | ✓ | | | Full consolidation | 100.00% |
| **Erachem Comilog Inc.**<br>610 Pittman Road, Baltimore, Maryland<br>MD 21226-1788<br>United States<br>1-410 789 8800 | | ✓ | | | Full consolidation | 65.08% |
| **Erasteel Inc.**<br>95 Fulton street Boonton<br>NJ 07005 – 1909<br>United States<br>1-973 335 8400 | | | ✓ | | Full consolidation | 100.00% |
| **Gulf Chemical and Metallurgical Corp.**<br>302 Midway Road – P.O. Box 2290<br>Freeport Texas<br>77541<br>United States<br>1-979 233 7882 | | ✓ | | | Full consolidation | 65.08% |

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