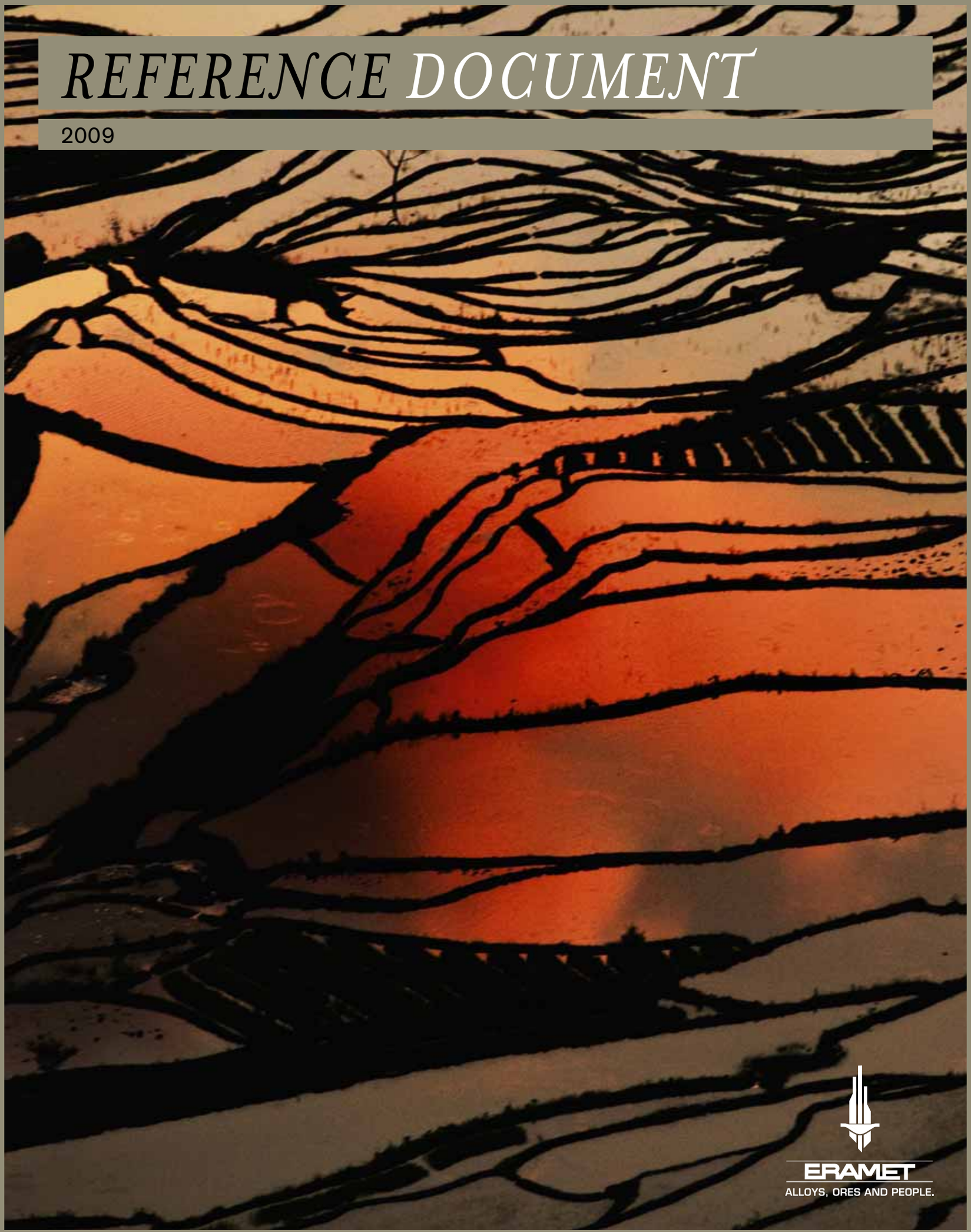
REFERENCE DOCUMENT

2009



ERAMET

ALLOYS, ORES AND PEOPLE.

CONTENTS

The structure of this Reference Document complies with Annex I of Commission Regulation (CE) n° 809/2004.

ERAMET

French public limited company
with a share capital of €80,427,929.65

Registered office:
Tour Maine Montparnasse
33, avenue du Maine
75015 Paris, France
Registered in the Paris trade register
under number 632 045 381

2009

REFERENCE DOCUMENT

This document, prepared on the basis of the 2009 financial statements, includes the material information subsequent to the approval of those financial statements to the date of its filing.

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This Reference document was filed with the AMF on April 16, 2010 in accordance with Article 212-13 of its General Regulations. It may not be used in support of a financial transaction unless accompanied by a prospectus approved by the AMF.

I

GROUP OVERVIEW

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 in 2009 employed close to 15,000 people in some 20 countries, posted sales of €2.6 billion.

The Group's strategy is to develop its positions in both its businesses, where it holds one of the world's leading portfolios: alloy metals, which enhance the properties of steel, and high-performance alloys. The Group is also broadening its operations to new metals with high growth potential, such as lithium.

The ERAMET Group is structured into three Divisions:

- ERAMET Nickel owns 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 world's three high-purity nickel producers and the global leader in nickel chloride. In 2006, ERAMET acquired the Weda Bay nickel deposit located on the island of Halmahera in Indonesia. This world-class deposit could ultimately enable the Group to almost double its nickel production, if the final investment decision is made in the course of 2012.
- ERAMET Manganese is the world's second-largest producer of manganese alloys, the second-largest producer of high-grade manganese ore from its Moanda mine in Gabon, and the world's leading producer of manganese chemical derivatives.
- ERAMET Alloys is the world's foremost producer of high-speed steels and the second-largest global producer of closed die-forged parts for the aerospace and energy markets.

The Group has major competitive advantages:

- high-quality ore reserves in terms of both grades and lifespan;
- strong technological skills in mining, metallurgy, high power closed die-forging, metal chemistry and hydrometallurgy.

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;
- constantly maintaining the competitiveness of its operations;
- 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;
- careful management, enabling the Group to weather the most difficult periods resulting from the cyclical nature of its markets and to invest against the cycle to maximise returns during the most dynamic periods;
- targeted, complementary acquisitions of existing businesses.

These efforts are intended to provide the ERAMET Group with geographical diversification and as well as greater diversification of its metals portfolio, in order to improve its risk profile and enhance its resilience.

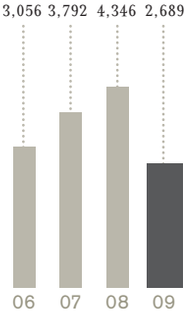
The Group's takes a long-term view as to its development. The Group acts responsibly towards its environment, employees and shareholders.

1.2. Key figures/Commentary on the financial year

1.2.1. KEY BUSINESS FIGURES

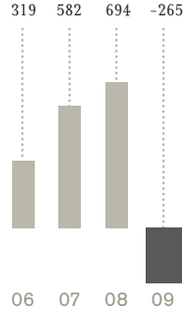
1.2.1.1. Business items

SALES *(in millions of euros)*



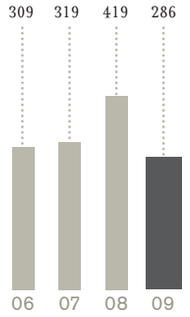
A year that was heavily affected by the global crisis, but an improvement in H2 2009.

PROFIT (LOSS) FOR PERIOD, GROUP SHARE *(in millions of euros)*



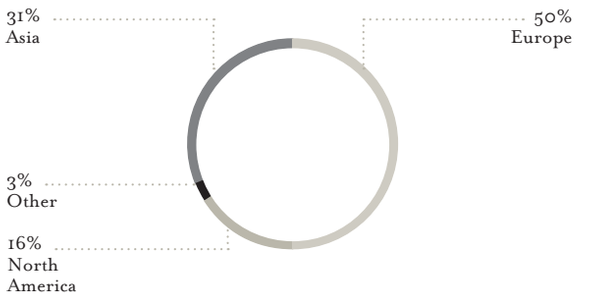
Profit (loss) for period, Group share down to -€265 million, but an improvement in H2 2009 to -€52 million.

CAPITAL EXPENDITURE *(in millions of euros)*

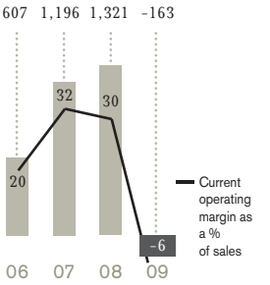


Controlled capital expenditure that safeguards the future.

GEOGRAPHIC BREAKDOWN OF SALES

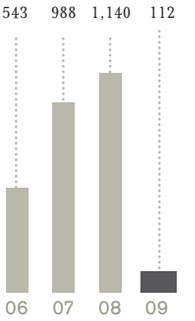


CURRENT OPERATING PROFIT (LOSS) *(in millions of euros)*



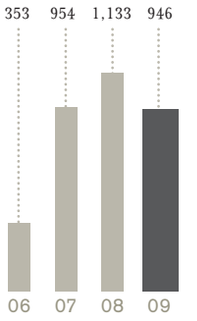
Current operating profit (loss) of -€163 million in 2009, but +€60 million in the black in H2.

NET CASH FLOWS FROM OPERATING ACTIVITIES *(in millions of euros)*



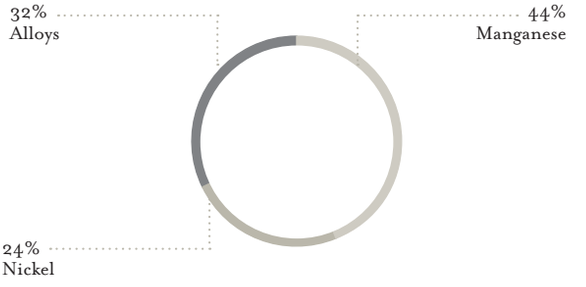
Continued positive cash flow generation thanks to the measures taken by the Group in response to the crisis.

CONSOLIDATED NET CASH POSITION *(in millions of euros)*



Continued strong cash position at end 2009 (€946 million).

BREAKDOWN OF SALES BY DIVISION



SALES BY DIVISION

	2009	2008	2007
- Nickel	**655**	897	1,290
- Manganese	**1,289**	2,348	1,473
- Alloys	**750**	1,102	1,033
- Holding company & miscellaneous	**(5)**	(1)	(4)
Total	**2,689**	**4,346**	**3,792**
- Sales by geographic region			
- Europe	**1,270**	2,224	1,985
- North America	**466**	812	643
- Asia	**840**	1,156	922
- Other regions	**113**	154	242
Total	**2,689**	**4,346**	**3,792**

1.2.1.2. Consolidated financial statements

(IFRS, millions of euros)	2009	2008	2007
Sales	**2,689**	4,346	3,792
Current operating profit (loss)	**(163)**	1,321	1,196
Net cash generated by operating activities	**112**	1,140	988
Capital employed	**2,474**	2,637	2,046
Capital expenditure	**286**	419	319
Average workforce	**14,465**	14,702	14,175

In H2 2009, the Group enjoyed improved market conditions for manganese and nickel compared to H1 2009, although without nevertheless returning to pre-crisis levels. In H2, ERAMET managed to once again post a current operating profit and benefited from a very strong financial position, with a net cash position of €946 million at end 2009.

INCOME STATEMENT

Sales

The ERAMET Group posted sales of €2,689 million in 2009, 38% down on a very high 2008, due both to lower prices and sales volumes, particularly for manganese. This figure nevertheless included a Q4 rise of 19% compared to Q3 2009, thanks to both improved market conditions for nickel and manganese and the Group's ability to respond to an upturn in demand.

Current operating profit (loss)

An annual current operating loss of (€163) million was returned, compared to a profit of €1,321 million in 2008, representing a current operating margin of -6.1%, sharply down on 2008 (+30%).

The €1,484 million fall in current operating profit was mainly due to the slump in manganese prices and, to a lesser extent, in nickel prices, as well as to the sharply lower volumes at ERAMET Manganese and ERAMET Alloys.

Operating profit (loss)

An operating loss of (€267) million was recorded, down sharply on 2008 (+€1,243 million). The figure also included €51 million in impairment of assets, €47 million of which for Erasteel, the €23 million asset loss (options and development costs) following the discontinuation of operations in Namibia, €8 million in expenses chiefly relating to actuarial amortisation of pension plans (US and Norway) following the freezing of those plans, and €7 million in provisions for disputes with freight service providers.

Profit (loss) for the period

Profit (loss) for the period amounted to (€261) million compared to €855 million in 2008, on the back of:

- Net borrowing cost, €11 million in the black, +€14 million of which was earned from money-market investment of cash balances and a translation adjustment of -€3 million;

- Other finance income and expenses, representing an expense of €12 million, mainly consisting of €9 million in accretion expenses and €6 million in income stemming from the measurement of financial instruments not qualifying as hedges, together with a €5 million exchange loss incurred in the cancellation of hedges;
- A €7 million tax credit, at an effective rate of 3%, compared to 29% in 2008. The low tax rate in 2009 takes account of the €49 million tax assessment for SLN, -€15 in deferred tax, €10 million in withholdings, the non deductibility for tax purposes of €16 million in impairment on Erasteel assets and the non-recognition of €17 million in tax loss carry-forwards generated by various entities during the year.

CONSOLIDATED BALANCE SHEET

The Group had consolidated net assets of €5,270 million at December 31, 2009, compared to €5,969 million at December 31, 2008.

This €699 million fall was mainly due to the following:

- On the asset side: the very steep fall in inventories (-€418 million) and in other asset components of the working capital requirement (-€202 million) and the lower level of cash and cash equivalents (-€115 million);
- On the liability side: the fall in shareholders' equity (-€227 million), the increase in Provisions and borrowings (€169 million) and the very sharp fall in the liability component of the working capital requirement (-€662 million).

1.2.2. INFORMATION ON THE ERAMET GROUP SHAREHOLDERS' EQUITY

This section analyses the consolidated balance sheet as at December 31, 2009 compared to December 31, 2008.

1.2.2.1. Operating working capital

The operating working capital requirement (inventories + trade receivables – trade payables) was €836 million at December 31, 2009 compared to €1,216 million at December 31, 2008. The ratio of operating WCR to sales was 31% at end 2009, slightly up on the 28% at end 2008.

1.2.2.2. Consolidated net cash position

FINANCING

The Group's net cash position [(1)] amounted to €946 million at December 31, 2009 compared to €1,133 million at December 31, 2008. This decrease mainly stemmed from the following cash flows:

- €112 million in net cash generated by operating activities (€1,140 million in 2008);
- (€293) million in net cash used in investing activities, primarily €286 million in capital expenditure and €88 million in financial investments (purchase of an additional 41.07% of Tinfos shares, of which 74 was paid in ERAMET shares and 14 in cash), and €93 million in divestments with the disposal of a 33.4% interest in Strand Minerals to Mitsubishi;
- €71 million in net cash flows from financing activities, including €163 million in dividends paid (€136 million of which to ERAMET shareholders and €27 million to minority shareholders of consolidated companies), a €74 million capital increase to pay for part of the Tinfos acquisition (see previous item), and €20 million generated from the sale of Strand receivables to Mitsubishi;
- A €65 million positive impact of exchange rate fluctuations.

1.2.2.3. Shareholders' equity

Group shareholders' equity amounted to €3,505 million at December 31, 2009 compared to €3,732 million at December 31, 2008.

1.2.3. FINANCING AND LIQUIDITY RESOURCES

The ERAMET Group is not currently rated by any credit rating agency.

Should the need arise, the Group has the following financing sources:

1.2.3.1. Revolving credit facilities

On May 24, 2005, ERAMET entered into a five-year agreement for a €600 million syndicated multi-currency revolving credit facility with a select group of banks, with the option of extending the term to seven years. In 2006 and 2007, ERAMET asked the lenders to extend the agreement for an additional year. The expiry date of this facility has thus been extended to May 24, 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. ERAMET has agreed to a single covenant (net financial debt/Group shareholders' equity) as set out in Note 21 to the consolidated financial statements. This facility had not been drawn down at December 31, 2009.

1.2.3.3. Commercial paper

In 2005, ERAMET established a €400 million commercial paper programme. At December 31, 2009, there was no outstanding ERAMET commercial paper.

(1) Net cash comprises cash and cash equivalents and other financial assets less short and long-term borrowings.

1.2.3.3. Repurchase agreements (repos)

On December 18, 2009, ERAMET signed a commitment to enter into a repurchase agreement. The amount available under this arrangement is €210 million at renewable 3-month maturities. The expiry date of this programme is March 18, 2011, or the European Central Bank's discontinuation of its LTRO (full allotment/fixed-rate) policy should this occur earlier. At December 31, 2009, the repos were not utilised.

1.2.4. INVESTMENTS

1.2.4.1. Investment aims

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

1.2.4.2. Main investments

TOTAL AMOUNT OF CAPITAL EXPENDITURE

Capital expenditure on property, plant and equipment recognised at Group level amounted to €231 million in 2005, €309 million in 2006, €319 million in 2007, €419 million in 2008 and €286 million in 2009. In 2009, capital expenditure was scaled back 61% compared to the pre-crisis 2009 target. Further steps were taken to reduce capital expenditure in H2 2009, while safeguarding the future.

Financing methods for major projects vary according to the individual investment (particularly own resources and finance leasing). The Nickel Division development programme was accordingly funded out of own resources and, in part, by a tax exemption granted under the Paul Act. Further information can be found in Notes 5 and 6 to the consolidated financial statements. Current capital expenditure is generally funded from own resources.

BREAKDOWN OF CAPITAL EXPENDITURE BY DIVISION AND MAJOR PROJECT TYPE

NICKEL DIVISION

(in millions of euros)	2006	2007	2008	2009
Investments recognised	125	135	189	**107**

- **Société Le Nickel-SLN capacity increase:** the last part of this programme involving the commissioning of the Tiébaghi mine ore processing unit, concluded with its inauguration in November 2008. The facilities are currently being subject to tests/refinements and the transportation of output to Doniambo has begun.
- **Modernisation of Société Le Nickel-SLN's production equipment:** To achieve the production target, a major upgrade of production equipment at Doniambo and of mining facilities is also being carried out in New Caledonia.

  This programme began in 2006 with the renovation of two rotary furnaces in Doniambo. The No. 9 electric furnace was renovated in 2008 on schedule. This programme contains a very important environmental component: the "Clean Doniambo" project.

  At the mines, the renewal of the mobile equipment is progressing, with the fixed facilities of SLN's current sites being modernised. The opening of several mines, the operation of which will be outsourced, is in preparation.
- **Study on a new Société Le Nickel-SLN electricity generation plant.** Pre-project studies continued for the projected construction of a new electricity generation plant.
- **Eurotungstène and Le Havre-Sandouville.** At Sandouville, an investment in manufacturing a new product designed mainly for the electronics market came on stream. At Eurotungstène, several projects have been carried out that while small in scale should enable the production of new products.
- **Weda Bay project.** The studies are continuing in both Indonesia and France in order to bring together all items necessary for the decision scheduled some time in 2012. The administrative permit process is in progress in line with local regulations.

For the Nickel Division as a whole, the global crisis that arose at the end of 2008 resulted in the review of capital expenditure levels and plans for the end of 2008 and 2009. Certain transactions planned for the end of 2008 were pushed back to 2009 or later.

MANGANESE DIVISION

(in millions of euros)	2006	2007	2008	2009
Investments recognised	122	129	145	**110**

In 2009, the Manganese Division scaled back its investments to respond to the pressures created by the crisis, although it had initially planned to step them up appreciably.

The investment figure recognised represents roughly one-third of the investment level planned before the crisis.

This outcome was achieved without abandoning any of the Division's strategic projects, particularly regarding the establishment of new plants in China and Gabon.

The other projects were as the case may be:

- maintained where the commitment exceeded 50% or they were safety-related; or
- postponed; or
- scaled-back.

New Guilin project

This project involves the building of a new manganese alloy plant at Guilin (China), to replace the current obsolete plant, which is located in an area that the authorities want to zone for non-industrial uses. The new plant will be focused on producing refined alloys, in line with developments both in the Chinese market and in the Division's strategy. This project has been rescheduled, having initially been planned for completion at end 2009. Completion is now scheduled for 2011.

"Electrolytic Manganese Dioxide" project ("EMD"), China

The second phase of the project to build an Electrolytic Manganese Dioxide production unit in China, authorised in September 2008, was completed on schedule. The unit was commissioned in June 2009.

Mn metal and SiMn plant project at Moanda (Compagnie Métallurgique de Moanda)

This new plant project, located near the Moanda mine, makes it possible to maximise the value of the currently unexploited low-grade mineral resources, to produce SiMn and Mn metal.

The electrical power will be supplied by a public hydroelectric plant, owned by the State of Gabon, construction of which has begun near Moanda. ERAMET is not involved in the construction or financing of this plant.

In 2009, the feasibility studies were carried out, the environmental-impact study was begun and work started on earthmoving in line with a schedule reflecting the initial plan (a priority strategic project).

Capacity increase project in Gabon

This project began in 2008, with medium-term goals of:

- maximising the value of unexploited Moanda site resources (Moulili river sediment);
- ending all waste from the washing plant; and
- achieving an annual capacity of 4 million tons.

In 2009, only the part relating to the elimination of waste from the washing plant was maintained.

The project to maximise the value of the Moulili river sediment was put on hold (current orders have been suspended).

The goal of increasing capacity to 4 Mt/annum has been postponed from 2010 to 2012 and the related sub-projects, particularly the purchase of new locomotives, have been halted for the time being.

Setrag upgrade project

The project to renovate track and infrastructure is part of the commitments entered into when Setrag, a Comilog S.A. subsidiary, signed the concession agreement to operate the Transgabonais railway.

In 2009, work on renovating the track continued (with the replacement of 60,000 sleepers and 29,000 m of rail), following the encouraging performance in 2007 and 2008.

A satellite communications project was also commenced, to improve traffic safety.

Like at the mine, the purchase of new tensile testing machines, initially planned to start this year, has been deferred until conditions improve.

Furnace renovation projects at the alloy plants

Capital expenditure projects at the alloy plants focused exclusively on furnace renovations made necessary by the condition of the refractories, disregarding any considerations as to capacity increase.

In addition, whenever called-for by market conditions, the furnaces concerned were shut down pending renovation at a later stage. Only critical studies and procurement were maintained.

- Marietta Furnace 12: furnace shut down during the year – renovation postponed until 2010. Only refractory procurement was secured (there being a long lead time), in order to quickly revive the project at the appropriate juncture;
- Porsgrunn Furnace 10: project postponed until 2011 – refractory procurement was secured, like at Marietta;
- Sauda Furnace 11: renovation completed at end 2008; the furnace was only fired in Q3 2009.

All the other alloy plant projects were postponed, particularly the following:

- modernisation of the refining workshop at Sauda;
- automation of the casting zone at Sauda;
- reconditioning of the cooling zones at Porsgrunn and Sauda;
- energy recovery plant at Sauda.

ALLOYS DIVISION

(in millions of euros)	2006	2007	2008	2009
Investments recognised	58	54	83	**67**

In light of the crisis, the Alloys Division significantly scaled back its capital expenditure in 2009 compared to 2008.

Aubert & Duval

- Reliability enhancement of the Les Ancizes steelworks: end of the multi-year project designed to enhance the reliability and improve the performance of the Les Ancizes steelworks.
- Increasing the vacuum production capacity: investment continued on a new furnace project at the Les Ancizes site.
- Issoire press project: investment commenced at the Issoire site on a new forging press designed to optimise flows of aerospace parts made from aluminium, titanium and superalloys.
- UKAD project (processing titanium ingots): studies progressed for civil engineering works in 2010.
- Aubert & Duval continued to invest at all its sites as part of its LEAN policy: improving competitiveness, reducing cycles and improving quality.

Erasteel

- Powder production: the project to increase capacity at the Söderfors site in Sweden is ongoing.
- ERP: the roll-out of the SAP ERP system is ongoing at various Erasteel sites.
- Acquisition of a distribution centre in Chicago (US) to develop sales on the American continent.

Other investments focused on improving the competitiveness of all sites.

1.2.5. RECENT DEVELOPMENTS AND OUTLOOK

1.2.5.1. Information as of the date of the Board Meeting (February 17, 2010)

In January 2010, the ERAMET Group finalised the acquisition of the French company Valdi, specialising in the recycling of oil catalysts, batteries and waste from steelworks; this deal had been announced in December 2009. Valdi posted sales of €25 million in 2008.

Also in January 2010, ERAMET finalised the disposal, announced in December 2009, of the International trading operations acquired as part of the Norwegian group Tinfos in 2008 ("Tinfos Nizi").

Furthermore, on February 12, 2010, the Bolloré-ERAMET consortium signed an agreement with the Argentinean company, Minera Santa Rita, affording it access to a number of lithium deposits ("salars") in Argentina with a view to completing their exploration within 24 months, at the same time as examining a lithium carbonate production project. The agreement gives the Bolloré-ERAMET consortium an option to purchase these salars.

This is the first step in Bolloré and ERAMET's lithium development strategy, that includes, amongst others, the project to develop a lithium industrial processing business in Bolivia, as proposed to that country's authorities.

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

1.2.5.2. Outlook for 2010

ERAMET NICKEL

The stainless-steel market has been improving in all regions since the Q4 2009 correction, without nevertheless seeing an overall return to H1 2008 levels. LME nickel prices swung back up to US$8.36/lb in January. Current demand for nickel is firm. However, nickel inventory, particularly at the LME, remains high. This means that the nickel market could remain volatile over the coming months and will be heavily dependent on keeping supply down.

The pace of metal production at SLN should be slightly higher in H1 2010, if market conditions are maintained.

ERAMET MANGANESE

The global steel business continues to see an improvement, particularly buoyed by the end of inventory run-down and stimulus plans, particularly in China. Demand for manganese is currently showing a healthy trend, with spot prices continuing to progress at the start of the year. ERAMET Manganese continues to ramp up its production in order to meet its customer requirements.

In light of the competitiveness of its Moanda mine, it was decided to re-launch the project to increase Comilog's ore and sinter production capacity in Gabon to 4 million tons, now expected to be reached in 2012.

A major milestone has also been passed in the construction of the future Metallurgy Complex at Moanda, with the signing on January 7, 2010 by Comilog and the Gabonese authorities of the agreements regarding the tax and hydroelectricity framework for the development of this major industrial project. The construction of a 20,000-ton manganese metal plant and a 65,000-ton silicomanganese plant represents a new phase in industrial value creation in Gabon from Moanda ore, with capital expenditure of some €200 million. The start-up is scheduled for 2013, in parallel with electricity generation from the Poubara dam.

Lastly, in 2010, ERAMET Manganese will also be continuing on the "New Guilin" project in China, scheduled to start production in H1 2011. This project will replace the old Guilin site, which uses blast furnaces to produce standard manganese alloys, with a new plant equipped with electrical furnaces, which will produce a very high proportion of refined alloys. This will enhance ERAMET Manganese's global leadership in the

very promising field of refined alloys, in which it is making its first step into the Chinese market, where fast growth is driven by the development of flat steel products for the automotive industry.

ERAMET ALLOYS

The outlook for ERAMET Alloys will remain challenging in 2010.

ERAMET Alloys will continue its programmes to control costs and working capital requirement while also continuing to prepare for the future by maintaining its strategic investments and structurally improving its profitability.

ERAMET Alloys will also strengthen its powder-metallurgy positions in Sweden.

ERAMET GROUP

The Group's current operating profit should continue to recover in H1 2010 compared to H2 2009, provided current market conditions are maintained for nickel and manganese.

ERAMET plans to raise its capital expenditure to some €350-€400 million in 2010 in order to carry out its priority development projects.

In addition to studies for its major strategic projects (particularly Weda Bay Nickel in Indonesia), the Group continues to seek out development opportunities in new metals with high growth potential, such as lithium in partnership with the Bolloré group, or niobium, with preliminary studies continuing into an ore-treatment process for the Mabounié deposit in Gabon.

1.3. History and development of the Company

The Company was incorporated in 1880 under the name Société Le Nickel, originally to exploit nickel mines in New Caledonia.

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

1974- The nickel business 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, holding the remaining 50% in Société Métallurgique Le Nickel-SLN.

1983- As part of an industrial, shareholding and financial restructuring programme, ERAP, a French state-owned company, acquires a 70% interest in the company's share capital. Imétal and Elf Aquitaine's interests are 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 the shareholders continued to be ERAP (70%), Imétal (15%) and Elf Aquitaine (15%).

From 1989 on, in order to smooth out the effects of nickel cycles, the company adopts 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. These two companies were merged in 1992 into a new company called Erasteel, wholly owned by ERAMET-SLN, making it the sector's global leader with over 25% market share.

1991- Long-term commercial and financial partnership with Nisshin Steel (one of Japan's leading stainless steel producers), resulting in the phased acquisition of an interest 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 Société Le Nickel-SLN and ERAMET, respectively.

1994- Acquisition of a 51% interest in Eurotungstène, a cobalt and tungsten powder producer.
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) contributes its Cofremmi subsidiary, owner of nickel ore reserves in New Caledonia, in return for granting shares representing 2.34% of ERAMET's new share capital.

1995- Transfer of the ERAMET stock to the Paris Stock Exchange Premier Marché (Monthly Settlement compartment).

1995-1996- ERAMET acquires a 46% interest 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 of manganese-based chemicals.

1997- Agreement with GenGabon under which this Gencor group company sells ERAMET a 15% interest in Comilog. ERAMET now holds 61% of Comilog.

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

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

- Integration into the Group of SIMA (Duval family), a leading global producer and 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 transfers that interest to a New Caledonian state-owned entity, Société Territoriale Calédonienne de Participation Industrielle (STCPI). The French State transfers ERAP's remaining interest to Cogema, which then becomes part of the AREVA group;
- Acquisition of the manganese business of the Norwegian group Elkem, making ERAMET the world's foremost producer of manganese alloys and broadening its product range with high value-added refined alloys.

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

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

Opening of the Moanda industrial complex in Gabon: this new manganese ore beneficiation and sintering plant strengthens Comilog's product range and extends the lifespan of its reserves.

2001- Launch of a programme to increase New Caledonian production capacity by 25%.
Launch of capital expenditure project for a new forging and closed die-forging plant in France with a 40,000-ton press.
Closure of a ferromanganese blast furnace in Boulogne-sur-Mer (France) and a silicomanganese electric furnace in Italy.
Impairment of Special Metals Corporation.

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

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

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

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

Acquisition of a 100% interest in Centre de Recherche de Trappes (research centre, France) and a 100% interest in Eurotungstène.

2004- New Caledonia: commissioning of 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 battery market.

Buyout of the AREVA group's minority interest in the Manganese Division.

Purchase from Comilog of 80% of Comilog Asia, the company holding the Guilin and Guangxi joint ventures in China.

2005- Decision to expand Comilog's ore production capacity to 3.5 million tons by 2008. 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 the concession to operate the Transgabonais railway for 30 years.

Erasteel: Joint venture with the Chinese company Tiangong called off.

2006- Aubert & Duval: Opening of the tool steels distribution centre in Wuxi (China).

Acquisition of Weda Bay Nickel.

Manganese ore production reaches 3 million tons.

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

2007- Electrolytic manganese dioxide 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 shares in ERAMET for those in SLN for STCPI as part of the SLN shareholders' agreement.

New Caledonia: end-2007, opening of Poum mine.

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- January: agreement signed with the Southern Province of New Caledonia with a view to studying the development of the Prony and Creek Pernod nickel deposits in New Caledonia.

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

March: Tinfos: new agreement which allows ERAMET to increase its Eralloys stake (assets of the former Tinfos excluding Nottoden electricity production) from 56% to 94.3%, while reducing its shareholding in Nottoden from 56% to 34%.

April: laying of the foundation stone for the Moanda metallurgical complex in Gabon. Aubert & Duval and UKTMP set up a titanium processing unit (UKAD) in Auvergne (France).

May: Completion of the second phase in the acquisition of Eralloys – formerly Tinfos (Norway).

June: ERAMET raised its interest in Eralloys to 100% after buying out the minority interests.

December: Agreement for the disposal of Nizi, an international trading business acquired in 2008 as part of Tinfos.

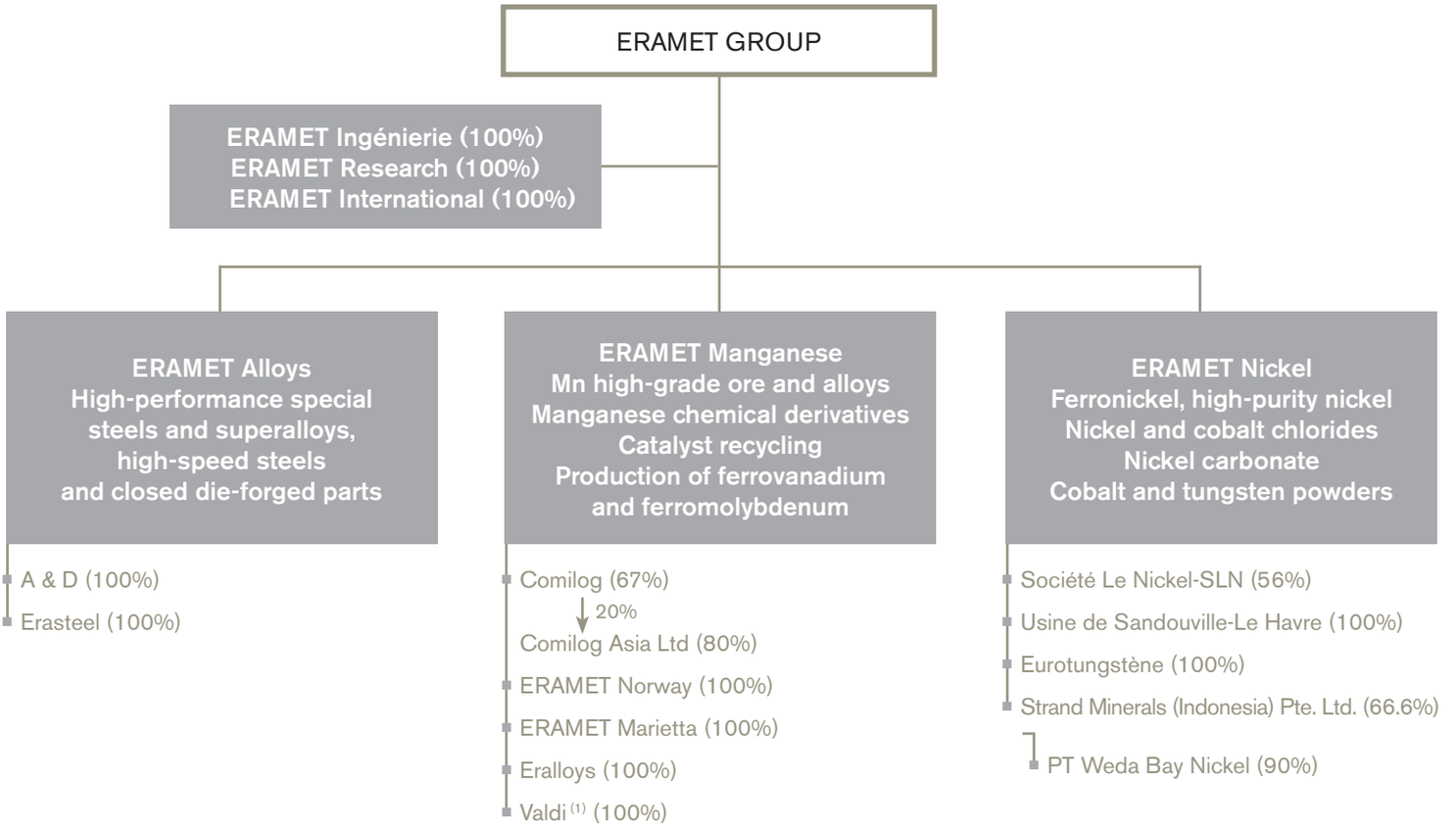
Agreement for the acquisition of Valdi (France), a non-ferrous metals recycling business.

2010- February: Agreement signed by ERAMET and Bolloré to explore lithium deposits in Argentina.

2

BUSINESS ACTIVITIES

2.1. Group structure



(1) Valdi was acquired on January 4, 2010.

2.2. Nickel Division

2.2.1. NICKEL DEMAND

2.2.1.1. Nickel demand

PROPERTIES OF NICKEL

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

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

- resistance to atmospheric corrosion, when combined with chromium;
- resistance to high temperatures without losing its good mechanical properties;
- ductility (ease of conversion);
- mechanical strength;
- electrical resistance;
- magnetic properties.

It possesses electrochemical properties: it can be plated by electrochemistry in the form of a thin deposit and it is used in rechargeable batteries. It also has catalytic properties.

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

USES OF NICKEL

Stainless steel is by far the sector that consumes most nickel worldwide. Global nickel consumption in 2009 broke down as follows:

Stainless steel (8-12% nickel)*	64%
Nickel-based alloys (25-100% nickel)	12%
Electroplating	8%
Casting and alloy steels (less than 4% nickel)	8%
Rechargeable batteries	5%
Coins	1%
Other (including catalysis)	2%

** Austenitic properties, including low-nickel 200 series.*
Source: ERAMET estimates.

END USES OF NICKEL

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

Stainless steel

Food safety, hygiene

This is one of the major uses of stainless steel. Stainless steel has outstanding hygiene properties, key to ensuring consumer safety and is particularly used in the following forms: household equipment (sinks, cutlery, saucepans, dishes, etc…); domestic appliances (washing machines, microwave ovens, catering ovens); food industry and pharmaceutical production tools; surgical equipment etc. Stainless steel's properties mean its use is often legally required in developed countries.

Heavy industries

Chemicals, petrochemicals, paper, power generation.

Building, construction

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

Transportation

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

Nickel alloys

Superalloys

The growth of modern aviation (jet engines) was largely driven by the development of superalloys, which have a 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 facilities (smoke and gas processing, water treatment, etc.).

Electroplating (coating with pure metal)

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

Casting and alloy steels

Automobiles and mechanical construction.

Rechargeable batteries

Back-up batteries, telephones, laptop computers, 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, colourings, etc.).

SUSTAINABLE DEVELOPMENT AND NICKEL

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

Nickel is infinitely recyclable and its high economic value makes its collection and recycling worthwhile. The structure of the nickel recycling industry has been firmly established for many years. Products are usually collected for recycling (industrial scrap and products from the destruction of appliances and equipment) by small businesses that sell them on to the major companies in the nickel recycling industry. These firms put together the various alloys containing nickel (stainless steel, superalloys, alloy steels, etc.) in carefully defined proportions to make a new product that is wholly suitable for use by their stainless steel producing customers. In 2009, recycled nickel accounted for nearly 42% of the nickel used in producing stainless steel worldwide.

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

THE NICKEL MARKET

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

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

More recently, substitution has begun between stainless steel grades. The increase in nickel prices between 2002 and 2007, and the growing weight of China, where quality considerations are not as demanding, led to the development of nickel-free ferritic grades and the low-nickel "200 series" grades (1 to 4% of Ni content), while austenitic "300 series" stainless steel (with around 8-10% Ni content) lost around 17 percentage points in global market share between 2002 and 2007. This trend towards substitution slowed sharply in 2008 and 2009, with the "300 series" even regaining four percentage points of market share. Furthermore, the properties of these various families of stainless steel are far from being identical and austenitic stainless steel cannot be substituted in a large number of industrial applications.

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.

There are three types of ore:

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

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

Sulphide ore

Sulphide ore mines are generally underground. Geographically they are mainly located to the North (Canada, Siberia, etc.) or South (South Africa, Australia, etc.). In these ores, nickel is associated 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 nickel metal (nickel carbonyl powders and pellets).

Oxide ores: laterites, upper mining levels

The mines are open cast. They are generally located in tropical zones (New Caledonia, Indonesia, Philippines, Cuba, etc.). 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, lower mining levels

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

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

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. It is an industry with a significant environmental impact and lower technical efficiency (yield, quality).

The hydrometallurgical process developed by ERAMET has the advantage of simultaneously processing laterites and the garnierite lower-grade part.

MINING PRODUCTION PER COUNTRY IN 2009

2009 MINING PRODUCTION IN THOUSANDS OF TONS OF NICKEL CONTENT

Russian Fed.	261.5	19.47%
Indonésia	194.3	14.47%
Australia	167.1	12.45%
Canada	136.6	10.17%
Philippines	119.0	8.86%
New Cal (France)	92.8	6.91%
China	79.4	5.91%
Colombia	72.0	5.36%
Cuba	60.0	4.47%
Brazil	38.1	2.84%
South Africa	34.6	2.58%
Botswana	32.4	2.41%
Macedonia	12.0	0.89%
Venezuela	10.4	0.77%
Greece	10.2	0.76%
Spain	8.3	0.62%
Zimbabwe	4.8	0.36%
Serbia	4.7	0.35%
Finland	3.4	0.25%
Albania	0.6	0.04%
Norway	0.4	0.03%
Zambia	0.3	0.02%
WORLD	1,342.9	100%

Forecast – Source: International Nickel Study Group, INSG.

NICKEL INDUSTRY INVESTMENT COSTS

Capital expenditure levels are particularly high in the nickel industry.

It should be noted that the cost of a capacity expansion is estimated to be approximately just half that of a new plant.

The cost of investments doubled on average over the years immediately preceding the crisis, firstly due to price inflation related to strong demand and secondly because of the growing complexity of the deposits to be processed (locations, grades and analysis of ores, depths, etc.,) and the need to fully consider the environmental aspects.

INTEGRATED PROJECT DEVELOPMENT TIMELINES IN THE NICKEL INDUSTRY

Development timelines for new integrated projects (mine + plant) are long.

Several stages are essential:

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

The minimum amount of time is thus 10-15 years, but it can sometimes be several years longer 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. Indeed, it enables 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 and that would be particularly suited to the New Caledonia ore that cannot be processed pyrometallurgically at Doniambo.

Acid leaching technology now seems the key means of delivering the nickel quantities the market needs.

2.2.1.3. Nickel producers

2009 *(thousands of tons of nickel content)*		Metallurgical production Finished products	
Norilsk	Russia/Finland	273.6	21%
Vale Inco	Indonesia/Canada	145.0	11%
BHP Billiton	Australia/Colombia	136.2	10%
Jinchuan	China	120.0	9%
Xstrata (Falconbridge)	Canada/Dominican Republic	88.6	7%
ERAMET*	France/New Caledonia	52.1	4%
Sumitomo Metal Mining	Japan	48.4	4%
Anglo South Africa, Brazil, Venezuela	Cuba	39.4	3%
Sherritt	Cuba/US	33.6	3%
Pamco	Japan	31.6	2%
Other		337.2	26%
Total		**1,305.7**	**100%**

Source: INSG (International Nickel Study Group) – Producers – ERAMET estimates.
**ERAMET: garnierite for the Doniambo plant (New Caledonia).*

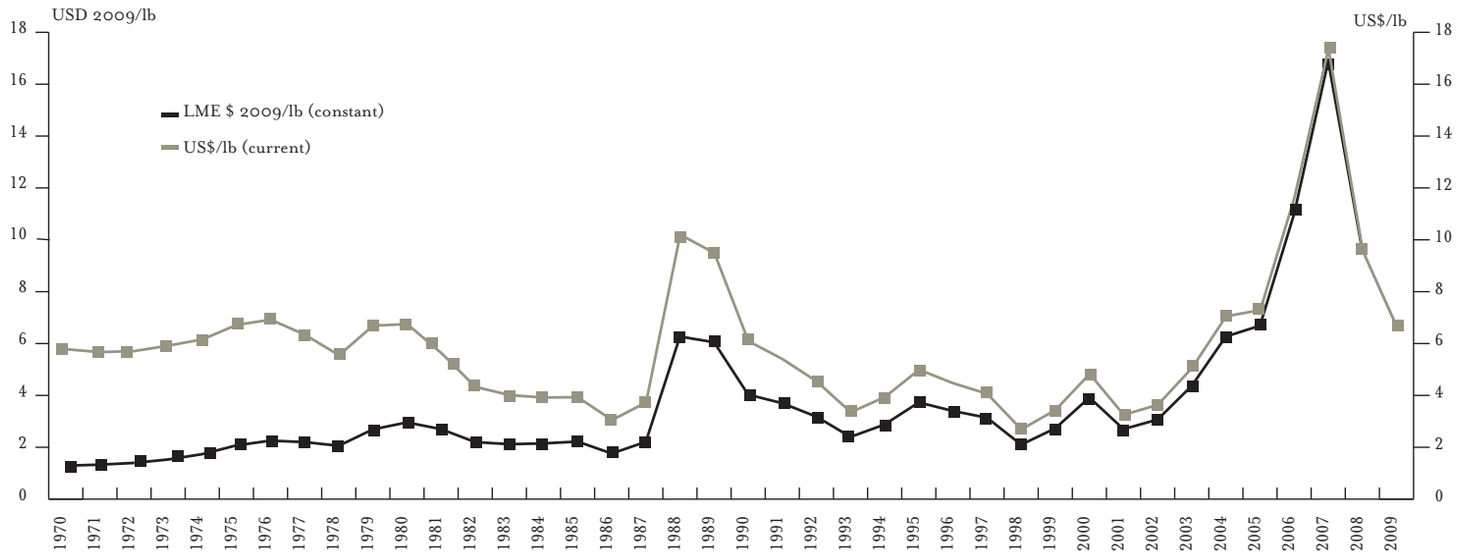
2.2.1.4. Nickel prices

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 result in a physical delivery of metal. However, in practice, only a small fraction of trading results in physical delivery. Large 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 considerable weight of financial players on the LME is reflected in short-term volatility and speculation as regards the outlook for developments in the physical market.

The chart below illustrates historical trends in nickel prices (in current US$/lb and constant 2009 US$/lb).



Source: London Metal Exchange – Thomson Financial.

Nevertheless, over the long-term the physical market remains the main 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.

Historically, the average nickel price on the LME from 1979 to 2009 was around US$4.3/lb, namely US$9,500 per ton. The long-term future price estimated by metal commodity analysts is in a range of roughly US$8-9/lb, namely US$17,600-US$19,800/ton.

2.2.1.5. State of the nickel market

The nickel market was affected by the global economic crisis in 2009. 2009 nevertheless had two contrasting halves. The beginning of the year, as in Q4 2008, saw nickel prices on the LME at very low levels, with an average of US$5.31/lb in H1 2009. H2 2009 saw a rapid improvement and flattening out at an average of US$7.99/lb, which is nevertheless still significantly down on the 2007 and early 2008 record levels.

The market for stainless steel, which absorbs about two thirds of the world-wide supply of primary nickel, hit a low in Q1 2009, followed by a rapid partial recovery. Q3 2009 was characterised by an activity peak close to early 2008 levels, due in particular to excess production and inventory build up in China. It was followed by declining Q4. In total, worldwide output of stainless steel dropped by about 4% in 2009. Performance was very mixed across geographic regions, with China increasing its production of stainless steel by 28%. Unlike in previous years, the phenomenon of substituting with grades containing less or no nickel alloy reversed, with austenitic grades even regaining several percentage points of market share.

Similarly, the sharp increase in the proportion of primary nickel at the expense of recycled nickel, characteristic of periods of crisis, helped underpin demand for nickel in the stainless-steel market.

Applications other than stainless steel dropped overall in 2009 because of the crisis.

Overall, visible consumption of primary nickel in stainless steel increased by 6% compared to 2008, growth that is insufficient for a return to 2007 levels.

In H1, falling demand and prices for nickel meant that less competitive producers weren't able to cover their costs. Worldwide supply of nickel therefore dropped 4% compared to 2008, a year when it was also down compared to 2007. Chinese nickel pig iron production significantly slowed in H1 2009, before recovering due to the rise in nickel prices on the LME in H2 2009. However, worldwide supply was simultaneously reduced by the prolonged strike at Vale Inco in Canada in H2 2009.

In total, the slight improvement in visible demand for nickel and the various reductions in worldwide production meant that market supply and demand were once again pretty much even, although with slightly more supply if we take account of the strategical and speculative inventory built up in China. Worldwide inventory (producers, LME and strategical and speculative Chinese inventory) represented about 15 to 16 weeks of consumption at the end of 2009, an improvement on the 19 weeks seen at the end of 2008, but which remains too high.

NICKEL DEMAND AND SUPPLY SUMMARY

(thousands of tons)	2002	2003	2004	2005	2006	2007	2008	2009 Estimated
Stainless steel production	19,835	21,917	23,712	23,929	27,951	28,095	26,021	**24,991**
Austenitic stainless steel production	15,454	17,180	18,243	17,560	21,233	19,942	18,812	**18,715**
Primary nickel %	56.5%	56.4%	54.3%	52.4%	53.3%	53.7%	52.9%	**58.8%**
Primary nickel in stainless steel	767.4	842.1	841.5	811.5	892.0	791.6	732.1	**808.1**
Nickel – other sectors	386.8	405.9	415.5	470.2	499.2	523.8	530.2	**449.2**
Visible nickel consumption	1,154.2	1,248.0	1,257.0	1,256.1	1,381.1	1,369.9	1,252.4	**1,325.2**
Nickel supply	1,177.3	1,196.0	1,258.6	1,283.3	1,354.6	1,432.6	1,376.5	**1,305.7**
Net	23.2	(52)	1.6	27.1	(26.5)	62.7	124.1	**(19.5)**
Inventory in weeks' consumption (year-end)	10.5	7.6	7.4	8.8	6.7	9.5	18.6	**13.9***

Source; INSG – Producers – ERAMET estimates.
** corresponds to producers and LME inventory.*

2.2.2. PRESENTATION OF THE NICKEL DIVISION

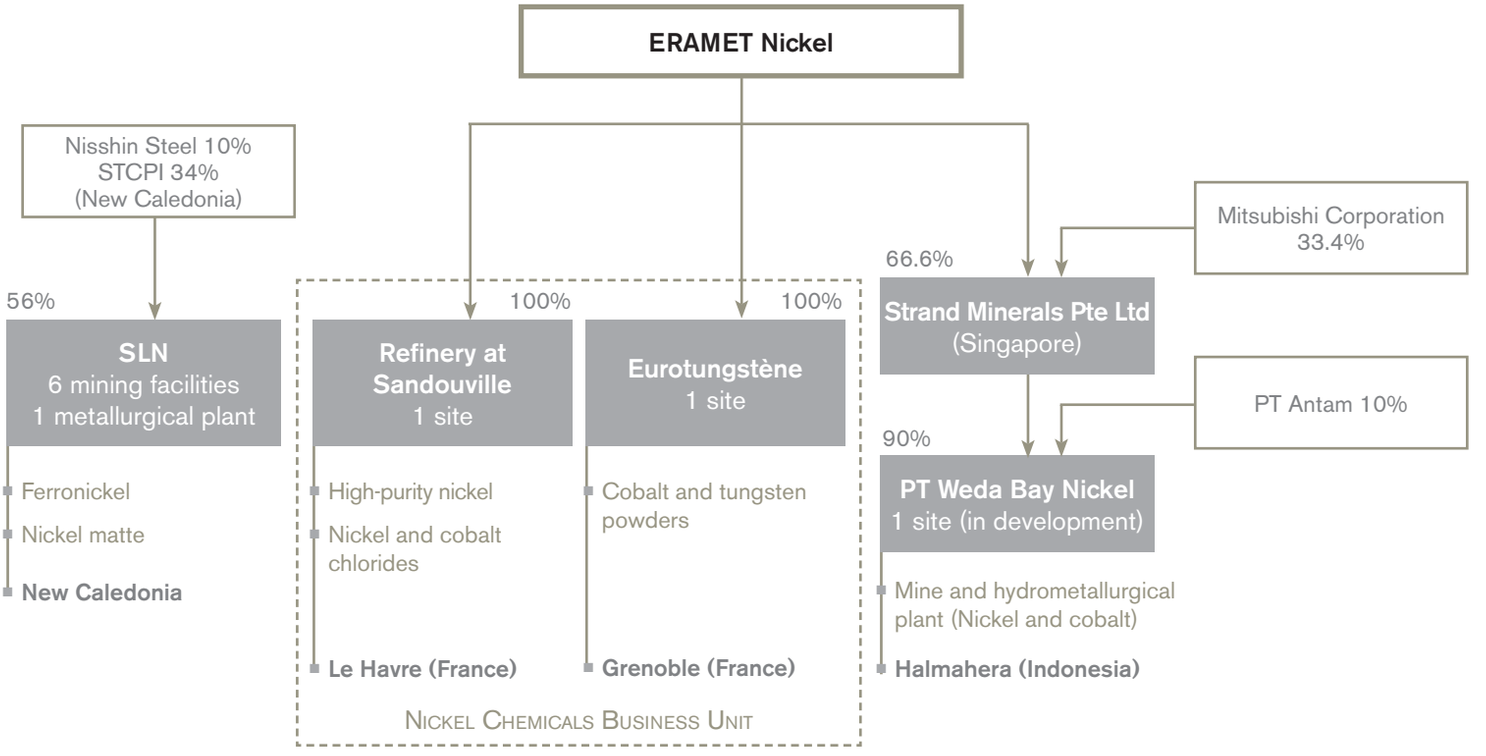
2.2.2.1. Key points

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

- ERAMET is the world's sixth-largest nickel producer.
- ERAMET operates high-quality mines in 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 very significant investments in New Caledonia to renew a large share of the equipment of Société Le Nickel-SLN (SLN) and increase its capacity to compensate for certain technical developments in the deposits.
- Furthermore, in November 2009, SLN began examining a proposal to improve its competitiveness and announced a new optimal operating level that will eventually reach 65,000 tons, after validation of an intermediate milestone of 60,000 tons by 2012.
- Since 2006, in partnership with the Indonesian company Antam (10% shareholder in PT Weda Bay Nickel) and Mitsubishi Corporation (shareholder since February 18, 2009 of 33.4% of Strand Minerals (Indonesia) Pte Ltd, which owns 90% of PT Weda Bay Nickel), ERAMET has owned Weda Bay Nickel, the world class nickel deposit at Halmahera in Indonesia, enabling it to double its size in nickel over time (project in the study phase). Studies are ongoing, and a decision will be taken in 2012.
- Prony/Creek Pernod: ERAMET and the Southern Province of New Caledonia signed an agreement in January 2009 with a view to developing the Prony and Creek Pernod deposits. Nevertheless, the awarding of these deposits to SLN has been called into question by decisions of the Nouméa Administrative Court, following an appeal lodged by Vale Inco. SLN appealed these decisions in February 2010.
- The two projects at Weda Bay and Prony/Creek Pernod will use hydrometallurgical technology developed by ERAMET.

2.2.2.2. Structure

ORGANISATIONAL STRUCTURE ON DECEMBER 31, 2009



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 mining nickel deposits continuously in New Caledonia for over 120 years. It now operates mines and a metallurgical plant in New Caledonia.

Weda Bay Minerals Inc.

On May 2, 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% part-owned by the Indonesian company PT Antam. ERAMET has undertaken the studies with a view to building a mine and a plant using the hydrometallurgical process developed by the Group at its research centre. In February 2009, ERAMET sold the 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 in Sandouville, mainland France, and markets all Société Le Nickel-SLN's products except for ore sales, which are managed by Société Le Nickel-SLN. In addition, ERAMET provides technical support to Société Le Nickel-SLN in several areas, particularly purchasing management, research, engineering and legal and financial matters.

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

Société Le Nickel-SLN sells all metallurgical production at 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 mark-up for ERAMET. The sale price of matte depends on ERAMET's average selling price to its customers for Sandouville's 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 the end of 1994 following sales of shares by ERAMET;
- the signing of a contract for the ERAMET Group to supply ferronickel to Nisshin Steel. The agreement, which was entered into in 1991 and renewed in 2001 and subsequently in 2007, provides for ferronickel shipments over several years.

1999: The ERAMET Group carried out – simultaneously with the S.I.M.A. share contribution transaction – restructuring of the capital of Société Le Nickel-SLN, resulting in a 30% interest for STCPI, a special purpose New Caledonian state-owned entity. STCPI simultaneously received a 5.1% interest in ERAMET's share capital.

2006: In December, STCPI exercised a call option enabling it to raise its interest in Société Le Nickel-SLN to 34%. The transaction took place on July 23, 2007, *via* the exchange of ERAMET/SLN shares, with STCPI only owning 4.1% of ERAMET's share capital.

Eurotungstène

Since August 21, 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 products are used, in particular, to make hardened carbides for machining metal and for diamond tools used to cut stones and building materials.

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

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

MINES AND INDUSTRIAL FACILITIES

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

Nickel mines

The Nickel Division mines located in New Caledonia benefit from:

- Extensive garnierite reserves and resources;
- High grade nickel (2.6%-2.7% on average) with an ore processing unit for two mines;
- In-depth knowledge of the geology and mining methods developed by Société Le Nickel-SLN;
- 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 opencast-mined. 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: the mine opened at the end of 2007.

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

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

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

The mining techniques take into account environmental protection requirements: tailings stored in stabilised heaps, control of water run-off and revegetation/restoration.

Népoui and Tiébaghi beneficiation plants

In 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 grades. This enables a broader part of the deposit (including lower-grade ores) to be exploited, thus extending the lifespan of the reserves. This process has been adapted to treat the ore from the Tiébaghi mine. The new beneficiation plant at Tiébaghi was inaugurated in November 2008.

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

(thousands of wet tons)	2009	2008	2007
Direct production	**2,574**	2,430	2,885
Sub-contracted production	**432**	530	766
Total	**2,925**	**2,960**	**3,651**
Laterites	**305**	203	359

Doniambo metallurgical plant

The Doniambo plant produces directly marketable ferronickel (typically 80% of its output) and nickel matte (20% of output), which is used in its entirety by the Sandouville plant. The proportion varies, reflecting changes in the respective markets for these products.

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

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

A major production equipment modernisation programme for Doniambo is in progress. Accordingly, 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

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

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 using chlorine. Several successive extraction stages in mixer-settlers allow iron and cobalt to be separated out in the form of iron chloride and cobalt chloride, respectively. The various remaining impurities are then removed. The resulting nickel chloride is mostly processed by electrolysis. The very pure nickel cathode obtained is usually cut up and put into drums. 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. 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 support to help them derive maximum benefit from its products in their own production processes. ERAMET has long-term partnerships with its customers. Ferronickel sales are usually covered by multi-year contracts with specific tonnage commitments.

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

Ferronickel: world's number two producer

The Group's entire ferronickel production is sold to stainless steel producers. Ferronickel is a (23%-30%) nickel and iron alloy. SLN 25 ferronickel provides stainless steel producers not only with nickel, but also with top quality iron. Steelmakers can use ferronickel in shot form in a converter to achieve substantial gains in productivity and improved yield. 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 certain 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

- Nickel Metal (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): nickel carbonate 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.

Ore

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

Breakdown of Sales

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

(%)	**2009**	2008	2007	2006
Euro zone	**35**	40	46	42
Americas	**5**	6	7	7
Asia and other regions	**60**	54	47	51
Total	**100**	**100**	**100**	**100**

NICKEL DIVISION RESEARCH AND DEVELOPMENT POLICY

The Nickel Division's research and development policy has brought about major developments over the past 30 years. The Group has research facilities through ERAMET Research.

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 attained through research and development have enabled the capacity of the three Demag furnaces to be expanded gradually with production advancing from 40,000 tons in 1990 to 62,300 tons in 2006.

More recently, the Group passed another major milestone in its development by creating 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, possibly for working the Prony/Creek Pernod deposits.

NICKEL DIVISION RETURN ON CAPITAL EMPLOYED (ROCE)

ROCE: current operating profit restated by writedowns/reversals on fair value tests/Capital employed on December 31 of year N-1 (The Division's shareholders' equity, plus net borrowings, plus the Poum/Koniambo mining indemnity, plus provisions for major lawsuits, redundancy plans and restructuring, less non-current financial assets and excluding the Weda Bay investments.)

NICKEL ROCE

%	2005 *	2006 *	2007 *	2008 *	2009 *
Nickel	58,6	79,7	119,6	23	**(7)**

** IFRS.*

2.3. Manganese Division

2.3.1. THE 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 ton of steel. Manganese represents a very small portion of the cost of steelmaking.

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

Other applications

- rechargeable and disposable batteries: mainly concerning disposable alkaline batteries. A smaller percentage continues to be used in saline batteries, which are less efficient. Manganese derivatives are also used in rechargeable lithium batteries;
- ferrites: used in electronic circuits;
- agriculture: fertiliser and animal food;
- various chemicals: pigments, fine chemistry;
- other metallurgical uses: mainly as a hardening agent for aluminium (beverage cans).

HISTORICAL CHANGES IN CONSUMPTION AND OUTLOOK

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

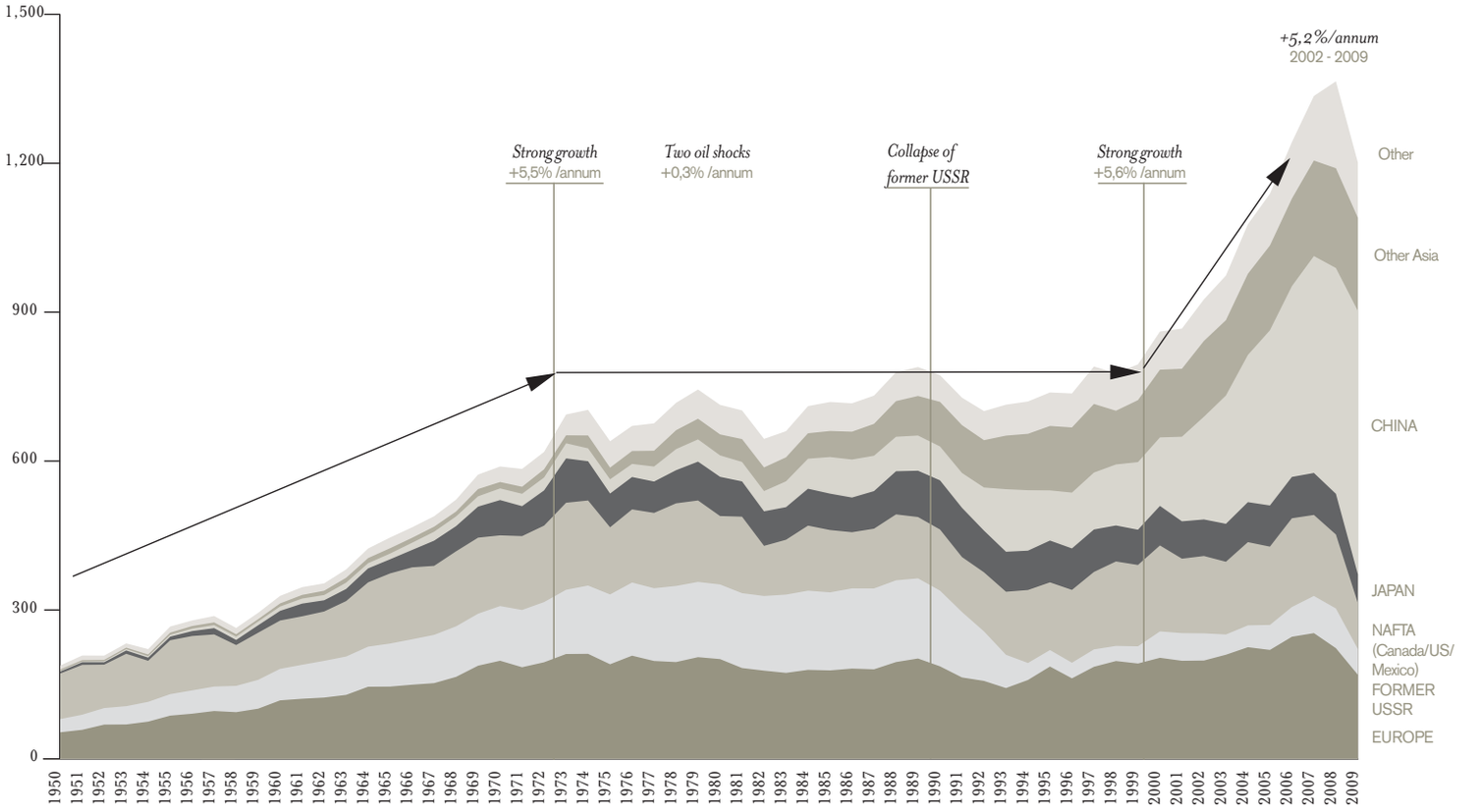
From 1998 to 2008, there has been strong average growth in global carbon steel consumption. This was due to the end of the downturn in steel consumption in the former soviet bloc, the slight upturn in demand in traditional regions and, above all, the accelerated demand from emerging countries, with Chinese demand becoming ever more preponderant.

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

In 2009, world steel consumption was heavily hit by the crisis; widespread inventory run-down accentuated the drop in real demand from industries consuming steel. Worldwide output thus dropped 8% compared to 2008.

The medium and long-term outlook is favourable beyond the crisis, with the growth in worldwide steel demand continuing to be driven by the development of emerging countries, where potential remains considerable. There is a underlying trend towards increasing urbanisation worldwide: about 20 million people in China and India, and 60 million in the rest of the world, move into towns and cities each year. Construction represents more than half of the worldwide steel consumption. Demand associated with infrastructure and industrialisation is gradually being supplemented by that from consumer durables, such as motor vehicles.

VISIBLE CARBON STEEL WORLD CONSUMPTION BY GEOGRAPHIC AREA (MILLIONS OF TONS)



Source: ERAMET and World Steel.

GLOBAL CARBON STEEL PRODUCTION BY GEOGRAPHIC AREA

(millions of tons)	2007	%	2008	%	2009	%
Europe (27)	209.6	15.6%	198.6	14.9%	**142.4**	11.7%
Former USSR	124.2	9.2%	114.1	8.6%	**97.4**	8.0%
NAFTA (Canada/US/Mexico)	131.3	9.8%	124.2	9.3%	**81.4**	6.7%
Japan	120.2	8.9%	118.7	8.9%	**87.5**	7.2%
China	489.2	36.4%	502.0	37.8%	**567.9**	46.6%
India	53.1	3.9%	55.0	4.1%	**56.6**	4.6%
Other Asia and Oceania	102.6	7.6%	103.2	7.8%	**89.2**	7.3%
Other	115.2	8.6%	113.9	8.6%	**96.6**	7.9%
Total	**1,345.4**	**100.0%**	**1,329.7**	**100.0%**	**1,219.0**	**100.0%**

Source: World Steel.

2.3.1.2. Manganese supply

MANGANESE ORE

Global ore production in 2009 was estimated to be 9.6 million tons 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 2009
(thousands of tons of manganese content)

China*	2,278
Australia	1,641
South Africa	1,391
Brazil	888
Gabon	881
India*	802
Kazakhstan*	391
Ukraine*	388
Ghana*	180
Mexico*	126
Georgia*	98
Other*	591
Worldwide	9,655

** Low grade ore. Source: International Manganese Institute and ERAMET estimates.*

The main producers of high-grade manganese ore 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: most producers using this process are 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): it contains 60 to 77% manganese. It can only be made in an electric furnace, using either ferromanganese slag or ore;
- refined ferromanganese (MC FeMn, etc.): this higher value-added product contains less carbon. It is mainly made by transferring molten HC FeMn alloy to an oxygen converter, which reduces the carbon content to the desired level. A distinction is made between medium carbon ferromanganese (1.5% carbon) and low-carbon ferromanganese (0.5% carbon). These products are especially used to make flat steel products and special steels;
- low-carbon silicomanganese (SiMnLC): with the acquisition of Tinfos, ERAMET Comilog Manganese 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 Manganese is the world's leading producer of refined alloys

BREAKDOWN OF GLOBAL MANGANESE ALLOY PRODUCTION IN 2009

Silicomanganese:	65%
High carbon ferromanganese:	26%
Refined ferromanganese:	9%

Source: ERAMET estimates.

GLOBAL MANGANESE ALLOY PRODUCTION IN 2009 *(thousands of tons of alloy)*

Europe	703
CIS	1,310
North America	212
China	7,129
Other Asia and Oceania	1,820
Other	837
Globally	12,011

Source: ERAMET estimates.

The manganese alloy industry is highly fragmented. Producers are found in a large number of countries, even though China represents about half of worldwide production. There are no major technological barriers for high carbon ferromanganese and silicomanganese, which are standard products. The costs of investment in the industry are relatively moderate, particularly in China, compared to those of the nickel industry.

2.3.1.3. Manganese prices

MANGANESE ALLOYS

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

The manganese market is above all global and highly competitive. However, prices can sometimes vary between geographic areas (Europe, North

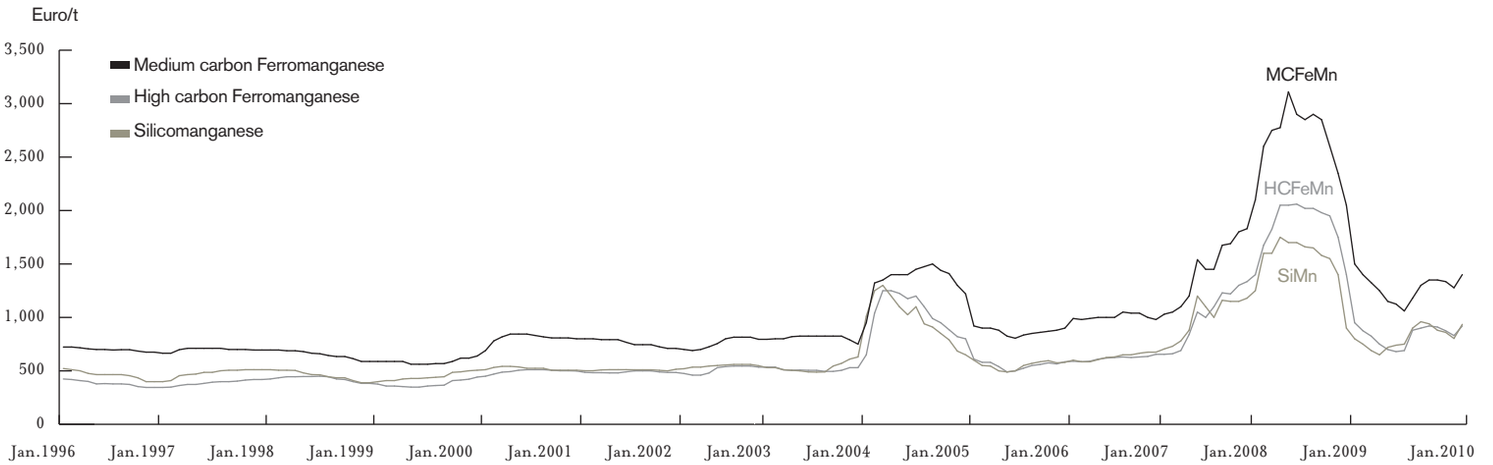
America and Asia) because of movements in currency rates or out-of-step economic cycles. These differences are usually only temporary.

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

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

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

MANGANESE ALLOY PRICES IN EUROPE (EUROS PER GROSS TON OF ALLOY: €/T)



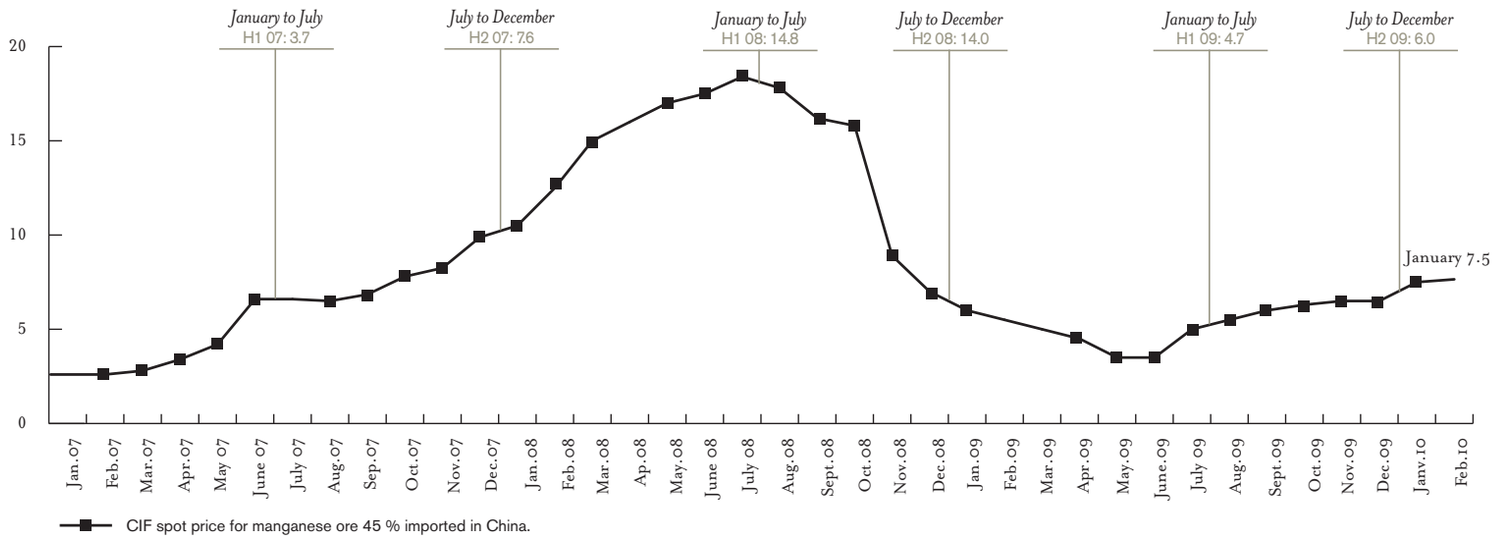
Source: CRU.

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

MANGANESE ORE

The selling price of manganese ore, as with alloys, is agreed directly between sellers and buyers. They are typically stated in US$/dmtu (dry metric ton unit).

A dmtu corresponds to 10 kg of manganese content. The price of a dmtu is higher for rich ores and also depends on the granularity and the presence or absence of impurities.



Source: CRU.

2.3.1.4. Recent market performance

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

This has resulted in considerable structural manganese demand 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 in 2008, taking them to record levels.

Manganese ore supply has faced certain logistical bottlenecks in the railways and ports of certain large producer countries, particularly South Africa. Also, very few large investment projects have been announced to cope with the rapid growth in demand, and they are mainly concentrated in South Africa.

As regards manganese alloy production, in addition to logistical constraints and the price of ore, the last few years have seen an increase in energy costs (electricity, coke, etc.,), which has contributed to the rise in prices. 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 certain number of metallurgical products, including manganese alloys. This has resulted in successive export duty increases.

In Q4 2008, global carbon steel production declined sharply, resulting in a considerable fall-off in manganese demand. The drop continued into Q1 2009 before gradually seeing a partial recovery in worldwide production. Over the year, worldwide output nevertheless dropped 8% compared to 2008.

In H1, the impact of the crisis on demand for manganese ore and alloys was accentuated by significant inventory run-down throughout the sector.

Manganese producers responded in turn, considerably cutting back their output. Thus, in H1, worldwide output of ore was cut by about 50%. Spot prices of manganese ore dropped until Q3, down to around US$3.5/dmtu, before starting to recover to over US$6/dmtu by the end of the year. The price of manganese alloys also dropped sharply in H1 2009, before recovering in H2 2009.

In the medium term, the capacity to supply manganese ore will continue to be strongly dependent on the logistical capacities of South Africa. Also, Chinese output is finding it difficult to meet growing demand and its quality (grade) is tending downwards, which makes it even more necessary to use imported higher grade products.

2.3.2. PRESENTATION OF THE MANGANESE DIVISION

2.3.2.1. Key points

The Group is the world's second-largest producer of high-grade manganese ore and 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 with the aim of increasing it to 3 million tons in 2006 and to 3.5 million tons in 2008. More recently, a new objective was set: 4 million tons in 2012.

2.3.2.2. Manganese Division history

1957: Founding of Comilog.

1962: Mining of the Moanda deposit begins in Gabon.

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

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

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

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

1999: ERAMET acquires the Elkem group's manganese businesses, which are merged into ERAMET Manganese Alliages.

2000:

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

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

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

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

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

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

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

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

2005: Decision to expand Comilog's ore production capacity to 3.5 million tons by 2008. ERAMET bolsters its oil catalyst recycling business through two capital expenditure programmes by its Gulf Chemical and Metallurgical Corporation 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 the concession to operate the Transgabonais railway for 30 years.

2006: Comilog production successfully increased to 3 Mt.

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

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 minority interests in the former Tinfos (excluding the Nottoden electricity plant, at 34%).
- Laying of the foundation stone for the Moanda Metallurgy Complex.

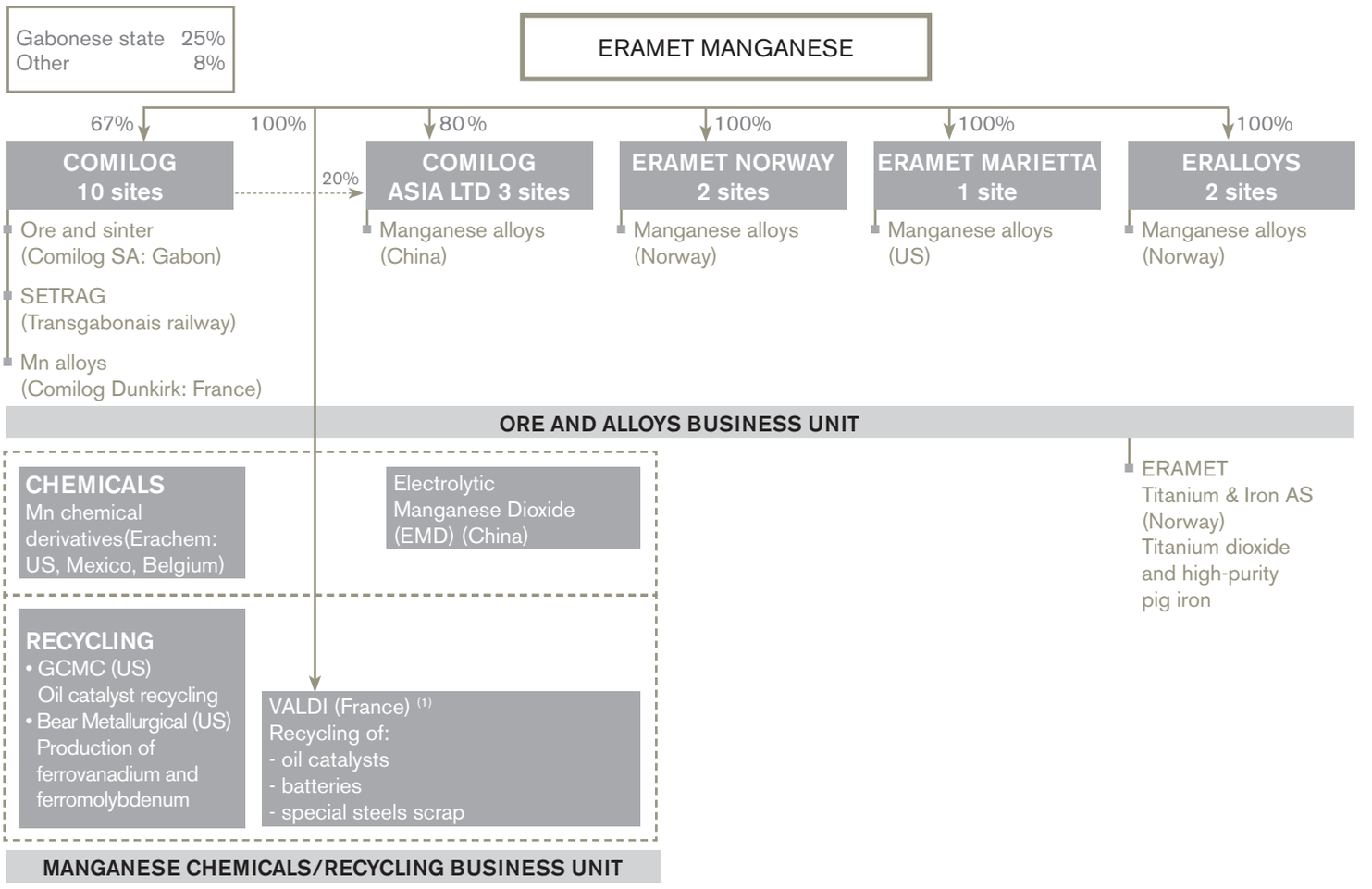
2010:

- Acquisition of Valdi, specialised in the recycling of oil catalysts, batteries and waste from steelworks.
- Disposal of international trading operations acquired from Tinfos ("Tinfos Nizi").

2.3.2.3. Structure

ORGANISATIONAL STRUCTURE ON DECEMBER 31, 2009

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



(1) Acquisition on january 4, 2010.

- Comilog is a company operating under Gabonese law and 67% 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 Dunkirk (France),
  - Production of manganese-based chemical derivatives,
  - Recycling of metals contained in oil 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 in Porsgrünn 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 layer of overburden covering the ore is between four to five metres thick. It is extracted by draglines. The run-of-mine ore is extracted using hydraulic shovels and loaded onto 110-ton trucks. The ore is processed at the beneficiation plant. The beneficiated ore is subsequently transferred to Moanda railway station by conveyor.

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

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

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

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

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

Comilog, through its subsidiary Port Minéralier d'Owendo, has been granted a concession for its ore port, Owendo, with storage capacity that corresponds to some three months' production. The port can take in 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, high value-added products. The Group, which owns seven manganese alloy plants, is the only alloy producer with plants in the three main consumption regions: Europe, the United States and Asia. This allows it to provide better service to its customers while providing better protection against fluctuations in markets and exchange rates.

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 plants in China, the fastest growing market. ERAMET Manganese is gradually increasing the share of refined alloys in its production.

PRODUCTION OF MANGANESE ALLOYS FOR THE STEEL INDUSTRY

(thousands of tons)	**2009**	2008	2007	2006	2005	2004	2003
High-carbon ferromanganese (including China)	**246**	287	299	279	290	295	402
Silicomanganese	**197**	172	191	201	185	202	225
Refined alloys (medium and low-carbon FeMn)	**177**	249	270	271	252	233	247
Total Mn alloy production	**617**	**708 ***	**760**	**751**	**727**	**730**	**874**

** Except Tinfos.*

MANGANESE ALLOY PRODUCTION SITES

Sites	Country	Production capacity	Furnace type	Products
Dunkirk	France	70 kt	Electric	SiMn
Sauda	Norway	180 kt	Electric	HC, MC, LC FeMn, SiMn
Porsgrunn	Norway	150 kt	Electric	HC, MC, LC FeMn, SiMn, LC SiMn
Kvinesdal	Norway	180 kt	Electric	SiMn, LCSiMn
Marietta	United States	180 kt	Electric	HC, MC, LC FeMn, SiMn
Guangxi Prov.	China	95 kt	Blast	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 Dunkirk 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 grouped together within Erachem Comilog and comprises five plants:

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

Recycling business

This currently carried on at four sites:

Tertre (Belgium)	Recycling of copper solutions
Freeport (US)	Recycling of oil catalysts and recovery of metal content (vanadium, molybdenum, etc.)
Butler (US)	Ferromolybdenum and ferrovanadium production
Fort Saskatchewan (Canada)	Oil catalyst recycling
Valdi – Le Palais-sur-Vienne (France)	Oil catalyst recycling Other metal waste processing
Valdi – Feurs (France)	Battery recycling Alloy refining

Titanium dioxide and high-purity smelting business

Tyssedal (Norway)	Titanium dioxide (pigment industry) and high purity cast iron for foundries

The Tyssedal plant in Norway produces titanium dioxide slag for the pigment industry from ore (ilmenite) purchased from a number of suppliers.

An important by-product associated with this activity is the production of high-purity cast iron, which is sold to foundries for various applications, particularly in the production of parts for wind turbines.

MANGANESE DIVISION MARKETING POLICY

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

The Group has partnerships with its customers and provides important technical support to help them derive maximum benefit from its products in their own production processes. Marketing policy is managed by ERAMET Comilog Manganese, which uses the ERAMET Group's worldwide marketing network, ERAMET International, which markets most of the output from the Manganese Division. 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 allowed, in particular, the development and implementation of the sintering process at the Moanda (Gabon) manganese fines plant.

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

MANGANESE DIVISION RETURN ON CAPITAL EMPLOYED (ROCE)

ROCE: Current operating profit restated by writedowns/reversals on fair value tests/Capital employed on December 31 of year N-1 (The Division's shareholders' equity, plus net debt, plus provisions for major lawsuits, redundancy plans and restructuring and less non-current financial assets).

MANGANESE ROCE

%	2005 *	2006 *	2007 *	2008 *	2009 *
Manganese	65.6	32.7	75.9	145	**(3)**

** IFRS.*

2.4. Alloys Division

2.4.1. ALLOYS DIVISION BUSINESSES

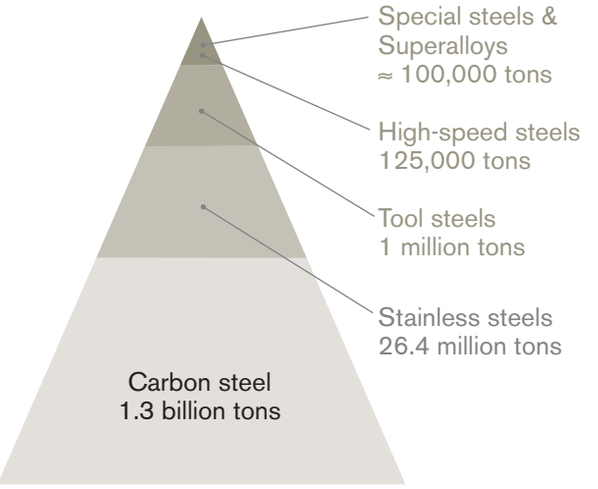
The Alloys Division makes special steels, tool steels, high-speed steels and superalloys and converts them by forging and rolling. It has developed a major business in the specific domain of closed die-forging where, in addition to special steels and superalloys, it processes titanium and aluminium.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

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

2.4.2. ALLOYS DIVISION MARKETS

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

GLOBAL PRODUCTION OF THE MAIN CATEGORIES OF STEEL IN 2008



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 do not contain nickel. After thermal treatment, high-speed steels are extremely wear-resistant and so are mainly used to make cutting tools.

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

Outside the cutting tools market, there are several other applications for high-speed steels, particularly for shaping metals and auto parts subject to wear and tear.

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

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 users are generally subcontractors in the automotive, domestic appliance and electronics industries, etc.

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

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

There are three families of application:

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

2.4.2.3. Nickel based alloys

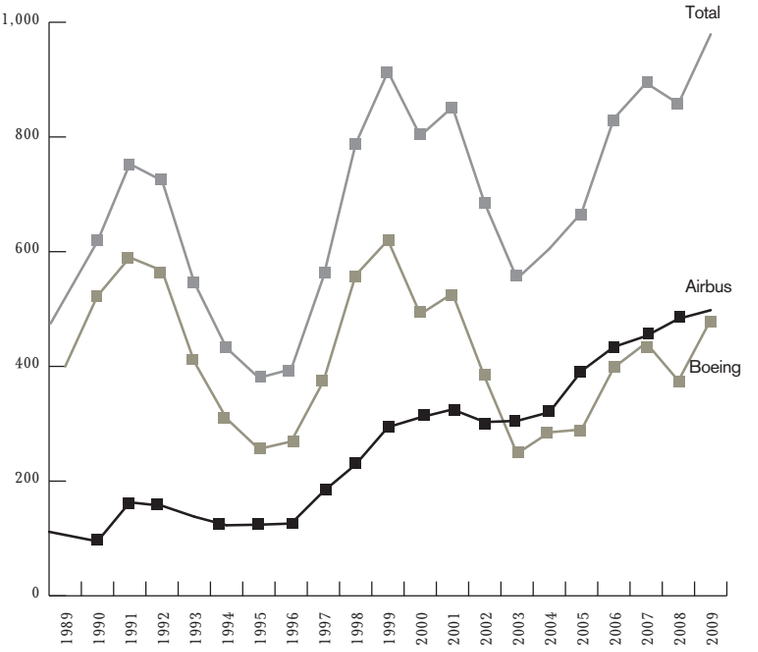
There are several types of nickel alloys that can be grouped together on the basis of the specific property required:

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

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

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

NUMBER OF BOEING-AIRBUS AIRCRAFT DELIVERIES



Source: Airbus – Boeing.

2.4.3. PRODUCTION PROCESSES FOR STEELS WITH HIGHLY ADVANCED CHARACTERISTICS AND SUPERALLOYS

2.4.3.1. Development 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 processes are used, depending on the product.

AIR METALLURGY

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

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

VACUUM METALLURGY

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

REMELTING

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

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

POWDER METALLURGY

This process, which follows melting in 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 by mechanical and, in most cases, hot processes. Beyond shaping the material, these operations also optimise its mechanical characteristics by work hardening (modification of its microstructure under the effect of deformation and temperature).

- Rolling consists of shaping the material into sheets, bars (typically 20-200 mm in diameter) or wire (5-20 mm in diameter) in order to ensure geometry (section), surface condition and use characteristics. The operation is carried out through a series of runs between rolling cylinders.
- Forging involves shaping bars (typically 200-600 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 operating in every high value-added segment.

The Division's special nature is built on:

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

	Alloy making				High-power closed die-forging			
Companies	High-speed steels	Tool steels	High performance special steels	Superalloys	High performance special steels	Superalloys	Aluminium	Titanium
Alcoa (US & Russia)						■	■	■
Allvac (US)		■	■	■				
Böhler Uddeholm (BUAG) (Austria) Voest Alpine	■	■	■	■	■	■		■
Bosch Gothard & Hüttel (Germany)		■	■					
Carpenter (US)		■	■	■				
Cogne (Italy)		■	■					
Corus (UK)		■	■					
Crucible (US)	■	■	■					
Dneprosptetsstal (Ukraine)		■	■	■				
ERAMET ALLOYS	■	■	■	■	■	■	■	■
Kalyani (India)	■	■	■		■			
Hitachi Tooling (Japan)	■	■	■					
Ladish (US)					■	■		■
Latrobe Steel (US)	■	■	■	■				
Midhani (India)			■	■				
Nachi Fujikochi (Japan)	■	■						
Otto Fuchs (Germany) / Weber (US)						■	■	■
Schultz (US)					■	■		■
Shanghaï 5 Baosteel (China)	■	■	■					
Schmolz & Bickenbach (Germany & US)	■	■	■					
Snecma (France)						■		■
Thyssen Krupp (Germany)		■	■	■				
Valbruna (Italy)		■	■	■				
VSMPO (Russia)					■	■		■
Precision Castparts (US)				■	■	■		■

2.4.5. ALLOYS DIVISION STRUCTURE

2.4.5.1. Key points

The key facts on the Alloys Division are as follows:

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

2.4.5.2. Alloys Division history

Within the Group, the development of the Alloys Division first began with the formation of Erasteel from 1990 to 1992. Subsequently in 1999, the various companies contributed by the SIMA group, most of which are now merged into Aubert & Duval, gave the Alloys Division its current scope.

HISTORY OF ERASTEEL

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

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

1956: Founding of Commentryenne des Aciers Fins Vanadium Alloys.

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

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

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

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

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

HISTORY OF AUBERT & DUVAL

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

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

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

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

1977: Founding of Interforge (with an interest by Aubert & Duval: 13%).

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

1987: Interest taken in Special Metals Corporation (SMC)

1989: The holding company Aubert & Duval is renamed S.I.M.A.

1991: The Aciéries Aubert & Duval operating company is renamed Aubert & Duval.

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

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

1999: Integration of SIMA's businesses into the ERAMET Group, in which the shareholders of SIMA become the largest shareholder. The current scope of the Alloys Division was established, bringing together Erasteel and the companies contributed by SIMA.

ALLOYS DIVISION HISTORY

2001: Launch of capital investment project for a new forging and closed die-forging plant in France with a 40,000-ton press.

SMC: The Group's interest in SMC is fully written off.

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

2003: A major restructuring programme is announced at Aubert & Duval.

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

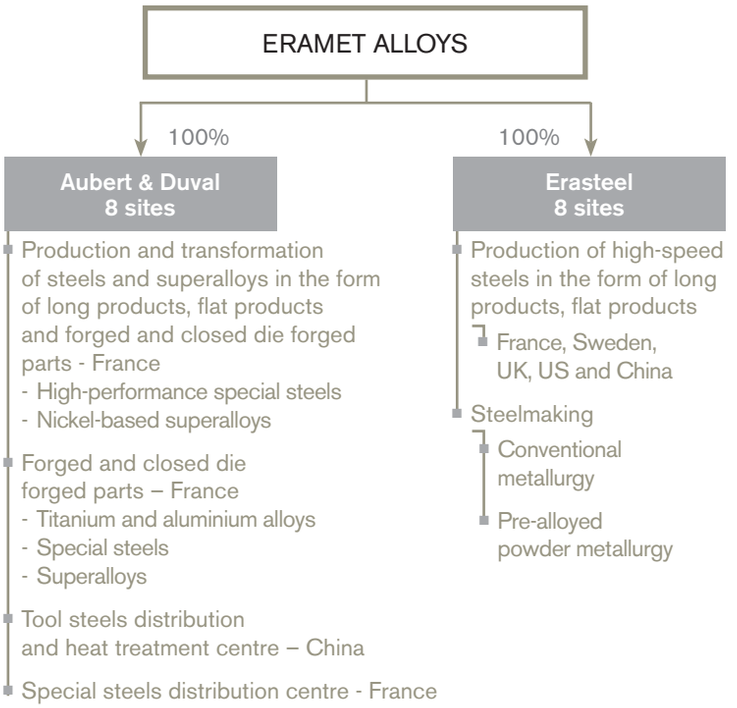
2006: Opening of the new closed die-forging plant in Pamiers ("40,000-ton press").

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

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

2008: Signing of a titanium partnership (UKAD).

2.4.5.3. Organisational structure on December 31, 2009



2.4.5.4. Alloys Division production

ERASTEEL

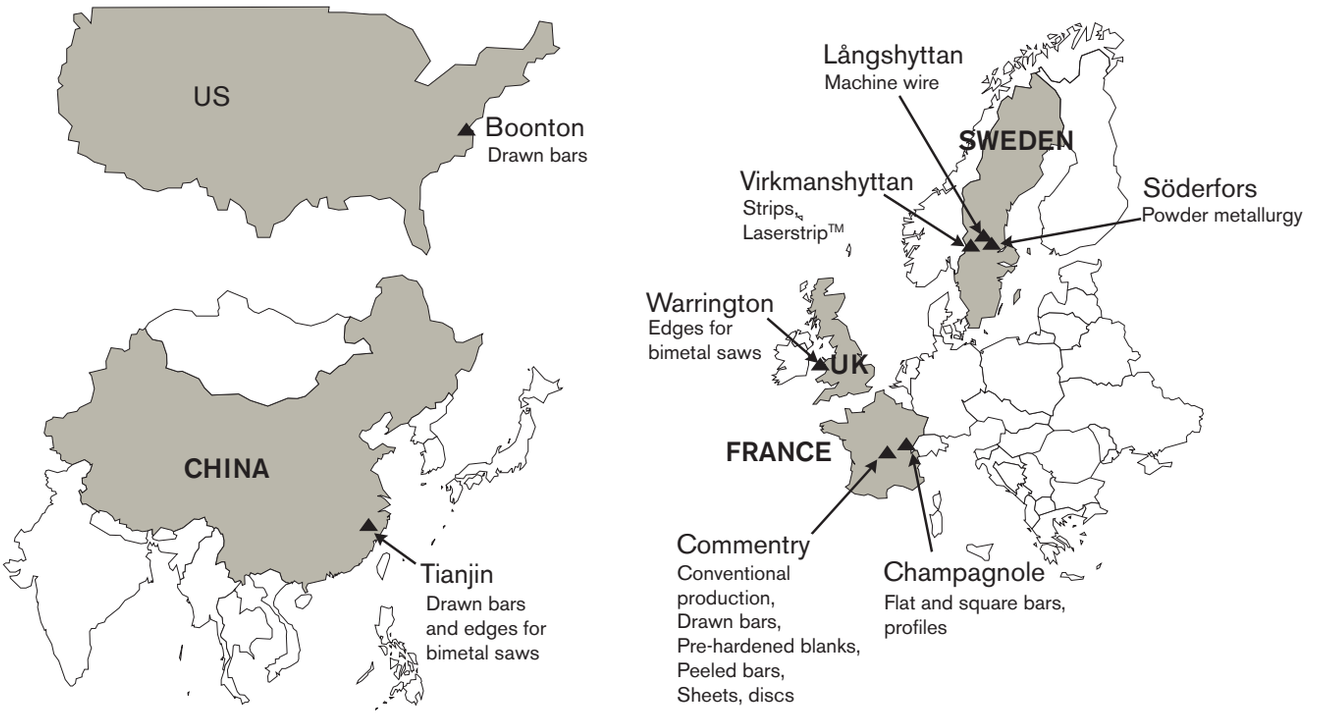
Erasteel's production

Erasteel is the only specialist producer of high-speed steels and is the global market leader. Its competitors are general steel companies: Böhler-Uddeholm (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. Lastly, Erasteel is one of the few producers with a presence in all global markets.

Erasteel's industrial organisation

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



AUBERT & DUVAL

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

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

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

Aubert & Duval's closed die-forging sector

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

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

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

The closed die-forging sector's industrial assets

The sector has the following tools:

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

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

The Interforge press

Interforge, located in Issoire, was founded in the middle of the 1970s, with a 65,000 ton press, one of the most powerful in the Western world; Interforge carries out subcontracted closed die-forging solely for its shareholders and in proportion to their interests (namely 94% for Aubert & Duval and 6% for Snecma).

The press is a key strategic advantage, as its puts Aubert & Duval in a favourable situation *vis-à-vis* global and particularly US competition:

- its capacity enables it to make parts that would be difficult to produce on competitors' presses, which are limited to 40,000/50,000 tons. Only three western producers apart from Aubert & Duval have presses with capacities over 30,000 tons;
- two 75,000-ton presses exist in Russia (aluminium producer 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 ton 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 over 12,000 tons), the main outlets are:

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

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

- an innovative research & development policy in terms of products: new steel and superalloy grades, expertise in large parts in line with growing equipment size (jumbo jets, high-power gas turbines, etc.);
- an innovative research & development policy in terms of processes: closed die-forging to near-final dimensions to optimise material use as well as high-speed machining;
- optimisation of industrial performance, in terms of production costs and quality and service reliability (specialisation of production plants, launch of Lean Manufacturing, etc.).

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

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

Furthermore, Aubert & Duval is developing its positioning along the value chain by capitalising on its upstream integration capacity (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 Uddeholm.

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 tons, combined with ladle metallurgy tools (ladle, AOD or VOD furnaces);
- VIM furnaces of up to 10 tons for vacuum alloy production;
- powder metallurgy production units;
- vacuum or slag remelting furnaces with capacity up to 30 tons;
- mill trains for making long products with 5.5mm-200mm in diameter;
- forging presses and machines with force up to 4,500 tons;
- machining facilities (for milling, turning, reaming or drilling);
- heat treatment equipment, including for parts up to 50 tons or 20 meters 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 accordance 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 targets critical applications: aerospace, medical and automotive (valves, etc.).

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

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

Tooling sector

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

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

Individual forged parts and specialties sector

This area combines various related activities of very specific expertise:

- individual forged parts, made in short runs for the defence, oil drilling and shipbuilding markets;
- cast parts: highly technical 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 partnership with its customers on a long-term basis. It has its own sales subsidiaries in the main Western countries that consume high-speed steels. These offer a wide range of services. Elsewhere, Erasteel is supported by the ERAMET International sales network wherever it operates.

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 product line. Erasteel has the most comprehensive product range.

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

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

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

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

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 of these are also supported by ERAMET Research.

The Alloys Division ploughs back close to 2% of its sales into R&D. Work is conducted both on 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 restated by writedowns/reversals from fair value tests/Capital employed on December 31 of year N-1 (The Division's shareholders' equity, plus net debt, plus provisions for major lawsuits, redundancy plans and restructuring and less non-current financial assets).

ROCE ALLIAGES

%	2005 *	2006 *	2007 *	2008 *	2009 *
Alloys	7.9	9	10.8	13	**(14)**

** IFRS.*

2.5. Organisation of ERAMET/ERAMET Holding

ERAMET SA, the consolidating parent company, has two main operational roles:

- a pure holding role called ERAMET Holding bringing together the various support departments such as General Management, the Administration & Financial Department, the Human Resources Department, the Communications and Sustainable Development Department, the Legal Department and the Purchasing Department; and
- a section of the Nickel Division (General Management and 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 on behalf of the parent company. The main ones are:

- ERAMET Research: ERAMET's research centre responsible for research and development;
- ERAMET Ingénierie: a project and technology company;
- ERAMET International: a company that pools 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 that pools surplus cash and short-term funding requirements of the Group as a whole;
- Metal Currencies: the Group's foreign currency management company, which carries out the foreign currency hedging for the Group as a whole;
- ERAS: reinsurance company.

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

2.6. Business performance of the Divisions in 2009

2.6.1. THE NICKEL DIVISION IN 2009

2.6.1.1. Key figures

(IFRS, millions of euros)	2009	2008	2007
Sales	**655**	897	1,290
Current operating profit (loss)	**(62)**	169	693
Net cash generated by operating activities	**104**	165	556
Capital employed	**775**	896	703
Capital expenditure	**107**	189	135
Average workforce	**3,106**	3,057	2,875

2.6.1.2. Commentary

Sales at ERAMET Nickel dropped 27% in 2009 compared to 2008, to €655 million, but recovered in H2 2009 to €345 million, compared to €310 million in H1 2009.

Nickel prices on the LME had two contrasting halves, going from US$5.31/lb in H1 2009 to US$7.99/lb in H2 2009. Over the year, they dropped on average 31% to US$6.65/lb.

Nickel hedges covered 6,800 tons in 2009 at an average price of US$9.34/lb.

Worldwide output of stainless steel dropped 4% in 2009. It saw strong activity in Q3 2009, followed by an adjustment in Q4 2009. Chinese output rose 28%, accounting for 37% of world output.

The supply and demand picture in the nickel market was pretty balanced thanks to cuts in output by producers. Overall worldwide inventory for the year went from 19 to 15 weeks of consumption, which remains a high level.

At Doniambo (New Caledonia), metallurgical production of nickel was kept at a lower level in 2009, at 52,100 tons. Surplus nickel inventory was thus used up, with sales increasing by 5% to 54,500 tons.

A proposal to improve the competitiveness of SLN is currently being reviewed by the unions. This plan aims to reduce SLN's cash cost by US$1/lb by 2012 compared to 2008 (at constant economic conditions), so as to bring SLN into line with the average cash cost for ferronickel producers by 2012. In particular, a workforce figure of 2,100 is also being targeted, representing some 300 fewer jobs compared to at present.

Furthermore, Société Le Nickel-SLN has decided to appeal against the rulings that, at the request of Vale Inco, voided the decision of the Southern Province Parliament of New Caledonia to award mineral-prospecting licences to SLN to exploit the deposits at Prony and Creek Pernod in New Caledonia.

In Indonesia, the Weda Bay project moved forward in 2009, with Mitsubishi Corporation taking a 33.4% interest in Strand, the holding company that controls PT Weda Bay Nickel. Studies are ongoing with the aim of taking a decision at the end of 2011 or during 2012 concerning this investment.

2.6.2. THE MANGANESE DIVISION IN 2009

2.6.2.1. Key figures

(IFRS, millions of euros)	2009	2008	2007
Sales	**1,289**	2,348	1,473
Current operating profit (loss)	**(27)**	1,088	440
Net cash generated by operating activities	**(28)**	895	307
Capital employed	**1,117**	1,042	685
Capital expenditure	**110**	145	129
Average workforce	**6,604**	6,723	6,503

2.6.2.2. Commentary

Sales at ERAMET Manganese were 23% higher in Q4 2009 than in Q3 2009. Over the year, at €1,289 million, they were 45% down on a record 2008, mainly due to the very sharp fall in sales prices.

Worldwide production of carbon steel dropped 8% in 2009, compared to 2008. However, it has gradually recovered. Chinese output continued to grow in 2009, with an increase of 13% compared to 2008. It accounted for 47% of worldwide output in 2009.

The demand for manganese alloys and ore was affected in H1 2009 by the worldwide drop in steel production, and also significant inventory run-down. The worldwide supply of manganese ore was reduced to about 50% of capacity in H1 2009, which helped to run down worldwide inventory. In Q3 2009, the worldwide recovery in steel output and the end to inventory run-downs led to a significant improvement in demand for manganese alloys and ore.

Spot prices of manganese ore (CIF China, high-grade ore) hit a low of around US$3.5/dmtu in Q3 2009, before quickly recovering to over US$6/dmtu, a level significantly below the record in Q3 2008, but relatively high compared to previous years.

The price of manganese alloys hit a low in H1 2009, before gradually recovering although remaining significantly below the record 2008 levels.

ERAMET Manganese effectively implemented a policy of highly flexible production levels to reflect changes in demand in its various markets.

Manganese ore and sinter production at Comilog, the 67% owned subsidiary of the ERAMET Group in Gabon, which ran at about 37% of capacity in H1 2009, was raised to 734,000 tons in Q4 2009, representing around 84% of production capacity. Over the year, it amounted to 2 million tons, compared to 3.2 million tons in 2008. External deliveries of ore only dropped slightly (-3%) in 2009 compared to 2008, in which Q4 was affected by a sharp drop in sales.

Production of manganese alloys by ERAMET Manganese, which was reduced to about 240,000 tons in H1 2009, was raised to 211,000 tons in Q4 2009 alone, representing about 90% of production capacity. Over the year, production of manganese alloys amounted to 617,000 tons, compared to 772,000 tons in 2008. Deliveries of manganese alloys were very slightly up at 705,000 tons.

The Manganese Chemistry business made a positive contribution to the current operating profit of ERAMET Manganese.

In Namibia, the conclusion of geological studies on the Otjozondu project resulted in the Group not exercising the purchase option on this deposit.

The Group furthermore continued the integration of Tinfos:

- ERAMET Manganese raised its interest from 56% to 100% in Eralloys, the company holding the former Tinfos business, excluding the Nottoden electricity plant in which ERAMET's interest had been brought to 34%.
- Following the agreement announced in December 2009, the international trading business "Tinfos-Nizi" was sold, in line with the goal set last year.
- Annual synergies have been re-estimated at €20 million, up on the announced initial target of €10-€15 million before tax.

2.6.3. THE ALLOYS DIVISION IN 2009

2.6.3.1. Key figures

(IFRS, millions of euros)	2009	2008	2007
Sales	**750**	1,102	1,033
Current operating profit (loss)	**(49)**	86	78
Net cash generated by operating activities	**93**	90	125
Capital employed	**578**	709	687
Capital expenditure	**67**	83	54
Average workforce	**4,618**	4,797	4,684

2.6.3.2. Commentary

In a strongly declining market, particularly in the area of tooling, ERAMET Alloys posted a current operating loss of -€49 million in 2009 compared to a current operating profit of €86 million in 2008.

The current operating loss in H2 2009 was overall in line with that of H1 2009, at -€23 million compared to -€26 million.

Sales at ERAMET Alloys were down 32% in 2009 compared to 2008, at €750 million. Sales in the tooling segment were down sharply by 52% in 2009 compared to 2008, particularly caused by the drop in the automotive market and significant inventory run-down throughout the sector. The financial position of Erasteel was particularly affected by the fall in sales. ERAMET recorded an impairment loss of €48 million on this asset in H1 2009.

Sales to the aerospace sector dropped 28% in 2009 compared to 2008. Aircraft manufacturers and equipment suppliers began to run down their inventory and their supplies following slippage and postponement of certain programmes, particularly for new programmes such as the A380 or the B787.

Sales to the energy sector fared better, with erosion of markets related to gas turbines and slight growth in nuclear.

In titanium, an area that is growing strongly as it is increasingly used by new aircraft models, ERAMET Alloys went into partnership with the Kazakh Group UKTMP, one of the main worldwide producers of titanium. A 50/50 joint venture will produce products in France forged from titanium ingots supplied by UKTMP. This partnership represents an integrated titanium operation. The completion date for the building of the future site, which requires capital expenditure of about €50 million, and the initiation of approval trials are scheduled in 2011.

2.7. Plants and equipment

Generally speaking, the Group owns its plants and the equipment therein. Some large items of equipment are finance leased (40,000-ton press in the Alloys Division, Tiebaghi washing plant and 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 ten or so industrial sites:

(millions of euros)	Gross amount	%	Net amount	%
Société Le Nickel-SLN (New Caledonia)	1,482	36.36	692	38.55
Other	111		35	
Nickel Division	**1,593**	**39.08**	**727**	**40.51**
Comilog SA (Gabon)	431	10.57	222	12.38
ERAMET Norway (Norway)	177	4.34	89	4.98
ERAMET Marietta (US)	104	2.55	37	2.06
GCMC (US)	100	2.45	58	3.22
Other	659		269	
Manganese Division	**1,471**	**36.10**	**675**	**37.60**
Aubert & Duval (France)	537	13.17	238	13.27
Airforge (France)	110	2.69	89	4.95
Erasteel Kloster AB (Sweden)	113	2.78	26	1.45
Erasteel Commentry (France)	102	2.51	21	1.19
Other	128		8	
Alloys Division	**990**	**24.28**	**382**	**21.30**
Holding company	**22**		**11**	
Total	**4,076**		**1,795**	

Leased machinery and equipment (excluding finance leasing) is relatively insignificant (it represents an annual expense of some €40 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: DEDICATED ORGANISATION SERVING THE DIVISIONS

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 110 employees, including 90 researchers, engineers and technicians. The operation currently represents €13 million, up 10% on 2008;
- additional divisional staff (around 150 employees) deals with more specific areas, such as products, the modelling of certain specific processes, the coordination of industrial trials, and the essential terminal phases for the industrialisation of research projects.

These significant resources represent around 1% of sales at the Nickel and Manganese Divisions and 2% at the Alloys Division (*i.e.* a total budget of close to €30 million).

Since 2006, ERAMET has been steadily increasing its research & development efforts 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 factor when developing new processes. The lowering and quality of waste are key factors when selecting a new process.

For ERAMET's mining, metallurgical and chemical businesses, the effectiveness of the research is a key advantage. To meet or exceed customer expectations, the research and development programmes enable the Group to strengthen its positions, including in the most competitive markets.

These programmes are implemented within the Divisions or at the ERAMET Research centre. To ensure the full relevance of results, 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 operational teams. This results in considerable efficiency, from determining programmes to introducing innovations, whether involving products, processes themselves or productivity.

The flagship project at the Nickel Division is the continued development of the hydrometallurgical treatment process for oxidised nickel ores. For reference, this innovative process was developed between 2005 and 2007 on the back of 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 the low-grade saprolites and laterites characteristic of ores from Weda Bay in Indonesia and the newer deposits in New Caledonia. The crushed ore is corroded with sulphuric acid at atmospheric pressure and at temperatures of around 100°C. The dissolved nickel and cobalt are separated and the manganese is concentrated separately and isolated. This process does not use any fossil fuels and the liquid effluent meets the most stringent environmental standards. 2009 saw the continuation of an extensive programme of pilot work on hydrometallurgical processes. The pilot lasted a total of 16 weeks with a view to primarily improving the reliability of processes over a representative period (pilot running non-stop for 1,000 hours).

In December 2007, ERAMET Research began a new phase of ferronickel production pilots in New Caledonia with a new, larger pilot furnace, the perfect tool for meeting the challenges related to the development of ore chemistry in New Caledonia. This expansion was undertaken to improve safety conditions when operating this larger furnace and in response to the need for a new installation dedicated to the needs of low-impedance processes in the Manganese Division (pre-reduction project). In 2009, for the first time, ERAMET Research reproduced, at pilot scale, all chemical, thermal and electrical phenomena present in industrial furnaces. We thus have an appropriate tool for studying the adaptation of the current process to the changes in the chemistry of New Caledonian ores.

ERAMET Research worked hard in 2009 to increase direct reduction in the ferromanganese smelting furnaces. This project is the most effective means available of reducing the energy consumption of the process. In particular, it includes the design of a suitable brand new pilot furnace that is 5 times larger than previous ones. This furnace should allow the reproduction and study of pyrometallurgical phenomena. Construction continued over the year and the first trials are planned for H1 2010.

In the Alloys Division, the R&D departments at Aubert & Duval and Erasteel continued to develop new products, optimise manufacturing quality and improve the control of manufacturing processes to reduce costs, increase the robustness of product ranges and reduce production risks. The success of R&D projects is assured by combining highest-level scientific approaches with the most pragmatic industrial trials, properly instrumented and carefully organised.

A major share of resources is devoted to digital simulation. The design of new grades begins with "virtual inventions", chemical components that, in the metallurgical prediction software, show good hardening phases and avoid the presence of adverse phases. Structural solidification and metallurgical transformation aspects are also studied with these tools, so as to obtain the correct response to heat treatment and the expected mechanical properties. These ideas are then checked (or invalidated) by carrying out experimental casts and studying prototype products. Depending on the results obtained at this stage, the researchers return to their hypotheses and data and move to the next iteration until the industrial alloy is finalised.

Inclusion cleanliness when setting up the electric-arc furnace is the subject of highly innovative R&D programmes, which have improved the optimisation of the various phases of liquid metal refining, with the aim of offering customers the best and least dispersed possible mechanical properties (particularly resistance to fatigue). In the same field, progress has continued in the computer modelling of Vacuum and Slag Remelting, a process that provides an improved understanding of the very complex functioning of these processes, as well as offering the possibility to reconsider the appropriateness of best practices and to continue scientific-driven optimisation.

Forging, closed die-forging and rolling are simulated ever more accurately, thanks to the very significant advances in computational speeds by new

PC clusters and by progress in numerical calculation methods made with our partners at the *École des Mines* in Paris. Beyond shape prediction, temperatures and effort during thermomechanical transformation, used daily to define manufacturing ranges for new parts, the R&D projects aim to introduce, into the software, models for the prediction of microstructures and the end properties of materials that are ever more accurate.

Success during 2009 was also due to the very close cooperation between specialists in the development, transformation and metallurgy of grades, and ongoing dialogue between researchers, metallurgists and manufacturers, including:

- the production of the first closed die-forged part for landing gear made from stainless steel 1,900 MPa MLX19;
- confirmation of the excellent resistance to corrosion, under pressure and fatigue, of stainless steel for aeronautical structures MLX17;
- the continuation of pre-series manufacturing of the new Ultra-High Strength steels, (2,300 MPa) ML1014 and ML340, for turbine shafts;
- the closed die-forging of large wing battens for the Airbus A350 using the new Aluminium-Lithium 2050 alloy.

In the field of cutting tools, very close cooperation with certain customers has improved knowledge of the usage value of final applications. By identifying the best combinations of tool characteristics (material, coating and surface condition), ERAMET has improved cutting performance (lifespan, cutting speed, etc.):

- hob cutters for dry-cutting gears at high speed;
- high-performance bi-metal saws made from ASP2060;
- taps for cutting titanium alloys;
- long drill bits for high-speed vibration drilling.

Also, in addition to high-speed steels, diversification is continuing with the development of various alloy powders (made from Fe, Ni, Co, etc.). This comes about through combined work on both processes (gas atomisation, hot isostatic compacting, etc.,) and products, plus through synergies between Erasteel and A&D:

- development of bi-metal parts obtained by hot isostatic powder compacting (for the energy or transport markets);
- study into a new atomisation process to obtain finer powders.

Lastly, at Group level, two projects moved forward in 2009:

- the Mabounié project, with the discovery, in the laboratory, of possible innovative processes for recovering all the metals found in the ore;
- the Lithium project, for which ERAMET has reaffirmed its standing as a sound joint-venture partner with the Bolloré group, on the back of the initial results achieved by ERAMET Research.

2.8.2. MINERAL RESOURCES AND RESERVES

2.8.2.1. General remarks

LOCATION

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

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

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

In Indonesia, the Weda Bay Nickel project study is ongoing.

LEGAL CLAIMS

Reserves and resources are presented with regard to mining claims to which the Group has long-term rights, mainly perpetual concessions reduced to an expiry date of December 31, 2048 (Art. 7 of the *"Loi de Pays"* Act of April 16, 2009) and rights granted for a renewable period of 75 years, renewable by 25 year tranches, in New Caledonia, a renewable 75-year concession in Gabon and a renewable 30-year Contract of Work in Indonesia. The carrying amount of reserves is recognised at historical cost for purchased claims and granted concessions are not measured. The balance sheet amount does not necessarily reflect market value.

ESTIMATES

Estimates have been drawn up by professional full-time 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

Given 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.

For Société Le Nickel-SLN (saprolites for the Doniambo plant) and Pt Weda Bay Nickel (laterite and saprolites), an external audit certified that resources and reserves have been evaluated satisfactorily and in accordance with the recommendations of the JORC Code. For Comilog SA, the figures calculated by in house experts employed by the company have however not been audited.

MINERAL RESOURCES

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

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 that basis is included in mineral resources if its positioning and geometric and chemical characteristics are such that it is reasonably likely to be economically viable.

RECOVERABLE MINERAL RESOURCES

Recoverable resources are mineral resources into which mining recovery and ore dressing were factored on the basis of experience acquired on those sites. The nickel or manganese tonnages given correspond to the quantity of metal present in the ore on leaving the mining units for shipment to metallurgical or chemical processing plants. The mining allowances for dilution and losses, those relating to the ore dressing, are established based on mining summaries comparing production to estimates of volumes already extracted. Recoverable resources are included in mineral resources.

EXPLORATION RESULTS

Exploration results are estimated 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 and metal and exchange rates, etc.), commercial constraints (quality, clients, etc.), environmental constraints (permits, mining limits, etc.) and constraints on current and future technical mining and treatment processes. Reserves are estimated based on a complete mining project. No assurance can be given as to the total recovery of the published reserves, insofar as market fluctuations and technical developments may make the recovery of certain deposits or parts of deposits economically viable or otherwise.

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, which provides 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 through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

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

Definitions of reserves

An **Ore Reserve** is the economically mineable part of a Measured and/or Indicated Mineral Resource. Reserves are estimated on the basis of a preliminary or actual feasibility study (a mining project in the broader sense), which takes account of any technical (pit design, dilution and losses

depending on the chosen mining method, yield of facilities), economic, marketing, legal, environmental, labour and governmental factors that exist or are foreseeable at the time of the estimate. The preliminary or actual feasibility study demonstrates at the time of declaration 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 January 1, 2010. The figures, calculated by in-house experts employed by the company have not been audited. The Bangombé plateau, which is being worked, was reassessed. The estimate includes the data from several hundred additional holes drilled mainly between 2007 and 2009. New ore masses have been identified, particularly on the slopes of the Bangombé plateau. The figures for resources, sharply up on 2009, are established on the basis of the following parameters:

- a 30% Mn cut-off grade for the Bangombé and Okouma plateaus for the measured and indicated mining resources;
- Comilog SA's mining concession also covers other plateaus in the Moanda region: Bafoula, Massengo and Yéyé. Reconnaissance work carried out on Bafoula and Massengo indicates the existence of ore masses. The quantity and quality of available information is sufficient to estimate inferred resources. The reconnaissance work done on Yéyé indicates the existence of ore masses 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: "millions of Mn dmtu" – 1 dmtu Mn = 10 kg of manganese).

MINERAL RESOURCES IN MANGANESE ROCK ORE AND FINES ON JANUARY 1, 2010

(millions of dmtu Mn)	Measured			Indicated			Inferred			Total		
Deposit	kt	% Mn	Mdmtu	kt	% Mn	Mdmtu	kt	% Mn	Mdmtu	kt	% Mn	Mdmtu
Rock ore > 10 mm												
Bangombé	33,200	45.7	1,510	20,700	47.5	980	4,300	42.6	180	58,200	46.1	2,670
Okouma	18,800	49.0	920	34,600	47.9	1,660				53,400	48.3	2,580
Bafoula							23,000	34.0	780	23,000	34.0	780
Massengo							12,000	40.0	480	12,000	40.0	480
Total	**52,000**	**46.9**	**2,430**	**55,300**	**47.8**	**2,640**	**39,300**	**36.8**	**1,440**	**146,600**	**44.5**	**6,510**
Fines 2-10 mm												
Bangombé	28,100	43.5	1,220	20,000	46.0	920	3,300	39.5	130	51,400	44.2	2,270
Okouma	18,000	46.4	840	33,400	44.4	1,480				51,400	45.1	2,320
Moulili	4,800	45.8	220							4,800	45.8	220
Bafoula							15,000	32.4	490	15,000	32.4	490
Massengo							7,900	38.1	300	7,900	38.1	300
Total	**50,900**	**44.7**	**2,280**	**53,400**	**45.0**	**2,400**	**26,200**	**35.0**	**920**	**130,500**	**42.9**	**5,600**

RECOVERABLE RESOURCES AND RESERVES

The table below sets out the figures for recoverable resources and reserves in the Bangombé and Okouma plateaus on January 1, 2010. They include the mine dump comprised of surplus fines not previously marketable.

The "Moulili" deposit, included in recoverable measured resources, underwent test working and processing in 2006 that proved positive.

The figures are based on:

- 30% manganese (Mn) cut-off grade;
- similar processing to that currently used for Bangombé plateau ore from run-of-mine production. The estimate of recoverable resources and reserves takes into account current granulometric cut-offs in the washing plant, namely: 8-80 mm for rock ore and 1-8 mm for fines;
- commercial specifications amended on January 1, 2009 with the simplification of the product range.

Part of the ore resources located on the edge of the Bangombé plateau has been converted to recoverable resources. Mining studies in 2010 are aiming at these recoverable resources being converted to reserves.

RECOVERABLE RESOURCES AND RESERVES OF MANGANESE ORE ON JANUARY 1, 2010 (IN MILLIONS OF DMTU)

(millions of DmtU Mn)

Deposit	Granulometry	Recoverable resources			Total
		Measured	Indicated	Inferred	
Bangombé		1,590	820	70	2,480
Okouma	> 8 mm		2,100		2,100
Moulili					
Terril					
Total rock ore		**1,590**	**2,920**	**70**	**4,580**
Bangombé		570	330	20	920
Okouma	1-8 mm		1,300		1,300
Moulili		180			180
Terril		20			20
Total fines and sinter		**770**	**1,630**	**20**	**2,420**

Deposit	Granulometry	Reserves		Total	Production in 2009
		Proven	Probable		
Bangombé		1,530	250	1,780	
Okouma	> 8 mm				
Moulili					
Terril					
Total rock ore		**1,530**	**250**	**1,780**	**60**
Bangombé		550	80	630	
Okouma	1-8 mm				
Moulili					
Terril		20		20	
Total fines and sinter		**570**	**80**	**650**	**36**

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.

The production figures indicated in the above table correspond to ore shipments made in 2009.

2.8.2.3. Société Le Nickel-SLN's reserves and resources

SAPROLITE RESERVES AND RESOURCES FOR PYROMETALLURGY

Mineral resources

The mineral resources set out below have been grouped together by major geomorphologic unit, based on the official classification in effect in New Caledonia.

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.

Most mineral resource estimates are made using 3D block and geostatic modelling.

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

SAPROLITE MINERAL RESOURCES FOR THE DONIAMBO PYROMETALLURGY PLANT ON JANUARY 1, 2010

	Measured			Indicated			Inferred		
Geomorphologic units	kt	% Ni	ktNi	kt	% Ni	ktNi	kt	% Ni	ktNi
Monéo Nord	-	-	-	-	-	-	3,446	2.59	89
Monéo Centre	-	-	-	-	-	-	5,083	2.55	130
Kouaoua	1,443	2.51	36	8,726	2.58	225	6,403	2.60	167
Poro	1,737	2.84	49	-	-	-	2,394	2.63	63
Boakaine	-	-	-	-	-	-	833	2.68	22
Nakety	238	2.41	6	147	3.02	4	363	2.77	10
Dothio	5,150	2.72	140	3,384	2.78	94	1,633	2.71	44
Thio	171	2.85	5	1,079	2.97	32	2,510	2.81	71
Ouenghi	-	-	-	54	3.66	2	49	2.83	1
Kombwi N'Goye	527	2.84	15	1,408	2.84	40	2,803	2.71	76
Tontouta	2,070	2.76	57	960	2.49	24	1,789	2.49	45
Me Adeo	-	-	-	-	-	-	131	3.74	5
Me Maoya	321	2.89	9	-	-	-	429	3.17	14
Kopeto – Boulinda	6,212	2.32	144	8,977	2.34	210	21,462	2.15	462
Tia Plaine des Gaïacs							1,753	2.57	45
Tchingou	-	-	-	-	-	-	1,750	3.34	58
Kaala	865	2.79	24	2,682	2.73	73	951	2.74	7
Tiébaghi	2,529	2.81	71	31,081	2.34	729	900	2.75	25
Poum	150	2.48	4	11,552	2.64	305	2,275	2.63	60
Total	**21,413**	**2.62**	**561**	**70,049**	**2.48**	**1,738**	**56,954**	**2.48**	**1,412**

In addition to the major differences resulting from the current mining of the mass, the major differences observed compared to the figures published on January 1, 2009 relate to the following areas:

- Kouaoua: part of the measured resources are reclassified as indicated resources, in line with the recommendations of the audit carried out by Melabar GeoConsulting in 2008 (standardisation completed at SLN);
- Dothio (Plateau de Thio in operation): improvement of the level of understanding of resources by means of drilling and associated geological interpretation;
- Thio: the reconnaissance work carried out at Les Bornets led to the identification of inferred mineral resources;
- Tontouta: the reconnaissance work carried out since 2007 bore fruit with the increase in indicated and inferred mineral resources;
- Kaala: the reduction in the drilling pattern and the associated geological reinterpretation led to a revaluation of mineral resources and the discovery of new residual mineralisation;
- Tiébaghi: part of the measured resources was reclassified as indicated resources, in line with the recommendations of the audit carried out by Melabar GeoConsulting in 2008. Low grade 1.7-2.2 Ni products have been eliminated from resources and reserves for Doniambo. The cut-off grade for the Alpha deposit will be the subject of an optimisation study in 2010;
- Poum: a sizeable inferred resource has been identified as a result of drilling and surface geological work to the North of the Plateau.

Saprolite exploration results for the Doniambo pyrometallurgy plant on January 1, 2010

The exploration results also correspond to the weathered phase of saprolites. On January 1, 2010, they were assessed at 420 ktNi (15.1 Mt at 2.78% Ni). The difference compared to 2009 (-69 ktNi) is explained by the reconnaissance and estimation work, which, in 2009, led to the conversion of part of the exploration results into resources (Poum, Tontouta, Bornets).

Recoverable resources and reserves

The table below sets out the figures for recoverable saprolite reserves and resources for the Doniambo pyrometallurgy plant on January 1, 2010. The data is in thousands of tons of nickel content in shipped ore, calculated at established 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 80mm screening with or without recovery of part of coarser fractions depending on mineralisation;
- mineralurgical processing at Népoui Kopéto (existing) and at Tiébaghi (ramping up operations);
- mining projects in the case of reserves.

SAPROLITE RECOVERABLE RESOURCES AND RESERVES FOR THE DONIAMBO PYROMETALLURGY PLANT ON JANUARY 1, 2010

Recoverable resources	Mt	% Ni	ktNi	Reserves	Mt	% Ni	ktNi
Measured	16.2	2.65	429	Proven	12.0	2.69	323
Indicated	46.4	2.67	1,237	Probable	24.1	2.71	654
Inferred	37.3	2.58	962	-			
Total	**99.9**	**2.63**	**2,629**	**Total**	**36.1**	**2.71**	**977**

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

SLN output for 2009 amounted to 56.8 ktNi (thousands of tons of Nickel). It corresponds to the tonnage of nickel contained in the ore transported to the various ports (wharves or mechanical loading). It thus includes the tonnages of nickel contained in the saprolite ores exported (1.4 ktNi in 2009).

Reserves are estimated at about 977 ktNi on January 1, 2010, compared to 1,009 ktNi of reserves in 2009. This corresponds to a renewal rate of 44% of the reserve. Part of the reserves (25%) was reclassified from «proven» to «probable», primarily at Kouaoua and Tiébaghi. Work on the mining projects at Thio, Poum and Kaala led to the renewal of reserves.

The indicated and measured recoverable resources are estimated to be 1,666 ktNi. The proportion of measured reserves is down compared to 2008, following the standardisation of classification criteria.

Inferred recoverable resources are estimated to be 962 ktNi. The increase seen compared to January 1, 2009 is attributable to the result of prospecting work carried out in 2009 and the inclusion of masses in Poum, Kopeto and Thio.

The renewal rate of saprolite recoverable resources for pyrometallurgy was 320%.

An external audit was carried out in 2008 by Melabar GeoConsulting, which certified that the resources and reserves estimated by Société Le Nickel-SLN have been evaluated satisfactorily in accordance with the recommendations of the JORC code. The methodology for the classification of resources that was recommended during the audit was used in 2009.

SLN constructs its mining and industrial plan on the basis of all its reserves, as well as on part of its recoverable resources considered economically viable but not yet forming part of a mining project. The amount of reserves and recoverable resources planned in the current mining plan was 2,169 ktNi (including 957 ktNi of reserves) on January 1, 2010.

MINERAL RESOURCES FOR HYDROMETALLURGY

Mineral resources for hydrometallurgy have not been audited as of now. They are however estimated by Group in-house experts in accordance with the same methodology as the one defined for the estimation of resources for the Doniambo plant.

Namely:

- For all Société Le Nickel-SLN's mineral deposits at a cut-off grade of 1.0% Ni, the mineral resources ranging from "inferred" to "measured" in laterites are currently estimated at 6,000 ktNi.
- At the cut-off grade of 1.8% nickel and outside centres with mineralurgical processing, exploration results on low-grade saprolite zones, which are currently not economically viable for pyrometallurgical processing, point on a preliminary basis to 2,000 kt in nickel content which may be recovered using the hydrometallurgical process developed by ERAMET.

2.8.2.4. Reserves and resources at Pt Weda Bay Nickel

MINERAL RESOURCES

The data on mineral resources relates to the tonnages, Ni content and thousands of tons of nickel contained in the ore estimated to be in the 1% Ni strata in the laterites and saprolites, without applying any transformation or enrichment factors.

The average dry densities of the laterites are around 0.8-0.9 in the masses in question, and nearly 1 for the saprolites. The Bukit Limber Barat mass, which has a higher proportion of rock ore, has an average dry density of 1.26 in the saprolites. These figures are based on measurements taken in 1999-2001 and 2008-2009 and which are ongoing in 2010.

Given the low level of sound dividing rock, the tonnages and content provided in saprolites represent the saprolitic column as a whole.

The resources are estimated using 3D block modelling. Measured and indicated resources are estimated by ordinary kriging, while inferred resources are estimated either by inverse square distance or by ordinary kriging when variogram quality permits it.

Tenzing PTY LTD, an external consultant specialising in geostatistics, made an estimate of local nickel resources in the Bukit Limber Barat deposit. The results obtained have made it possible to draw up tonnage-content graphs and to visualise the selectivity in the deposit. They have also made it possible to confirm, at the cut-off grade of 1% Ni, the results obtained internally using ordinary kriging and the measure the smoothing effect of this latter on higher cut-off grades.

Mineral resources are grouped together by prospect by identifying laterite and saprolite products. They are calculated at the cut-off grade of 1% Ni in the stratum modelled at 1% Ni.

The figures set out below are the results of the study undertaken by Tenzing PTY LTD on the Bukit Limber Barat mass and the studies carried out by the Weda Bay Nickel team for the other masses.

At a constant cut-off grade, the measured, indicated and inferred resources were 1.8 million tons higher than the estimates made at the time of acquisition in May 2006 (5.9 MtNi compared to 4.1 MtNi).

SAPROLITE AND LATERITE MINERAL RESOURCES ON JANUARY 1, 2010

	Measured					Indicated					Inferred				
Prospects	Mts	% Ni	ktNi	% Co	ktCo	Mts	% Ni	ktNi	% Co	ktCo	Mts	% Ni	ktNi	% Co	ktCo
LATERITES															
Bukit Limber Barat (Santa Monica West)	14.2	1.26	178	0.19	26.9	9.4	1.23	116	0.18	17.0					
Bukit Limber Timur (Santa Monica East)						15.4	1.22	187	0.17	26.1					
Coastal Deposits	8.8	1.19	105	0.20	17.7	0.8	1.14	8.9	0.18	1.4					
Big Kahuna						12.0	1.22	147	0.21	25.3					
Ake Jira (Jira River)						7.2	1.14	82	0.20	14.4					
Boki Mekot											7.2	1.23	89	0.12	8.3
Pintu						9.2	1.23	113	0.18	16.5	5.0	1.18	59	0.22	11.0
Jiguru											1.1	1.23	14	0.16	1.8
Tofu Blowen						11.5	1.28	147	0.15	17.2	0.9	1.26	11	0.17	1.5
Kaorahai											3.6	1.46	52	0.25	8.9
Total Laterites	**23.0**	**1.23**	**284**	**0.19**	**45**	**65.4**	**1.22**	**801**	**0.18**	**118**	**17.7**	**1.26**	**224**	**0.18**	**32**
SAPROLITES															
Bukit Limber Barat (Santa Monica West)	37.5	1.52	570	0.03	11.2	26.0	1.53	398	0.03	7.8					
Bukit Limber Timur (Santa Monica East)						53.2	1.42	756	0.03	16.0					
Coastal Deposits	29.8	1.63	485	0.04	11.9	3.4	1.39	48	0.04	1.4					
Big Kahuna						14.2	1.54	218	0.04	5.7					
Ake Jira (Jira River)						14.9	1.64	244	0.04	6.0					
Boki Mekot											18.7	1.63	305	0.02	3.7
Pintu						13.5	1.53	206	0.03	4.0	15.9	1.59	253	0.03	4.8
Jiguru											4.4	1.25	55	0.03	1.3
Tofu Blowen						25.8	1.76	453	0.03	7.7	6.2	1.67	104	0.03	1.9
Kaorahai											30.6	1.74	532	0.02	6.1
Total Saprolites	**67.3**	**1.57**	**1,055**	**0.03**	**23**	**150.9**	**1.54**	**2,323**	**0.03**	**49**	**75.8**	**1.65**	**1,249**	**0.02**	**18**
Total	**90.3**	**1.48**	**1,339**	**0.08**	**68**	**216.4**	**1.44**	**3,124**	**0.08**	**166**	**93.6**	**1.57**	**1,473**	**0.05**	**49**

RESERVES

The figures below relate to the saprolite and limonite reserves intended for hydrometallurgical processing. They are calculated on the basis of the mineral resources described in the paragraph above. The masses grouped together as "coastal deposits" and the Bukit Limber Barat and Bukit Limber Timur deposits (Santa Monica West and East) were covered by mining projects in pre-feasibility study phase.

SAPROLITE AND LATERITE RESERVES ON JANUARY 1, 2010

	Reserves as of 1/1/2010									
Mass	Proven					Probable				
	MTs	% Ni	KtNi	% Co	KTCo	MTs	% Ni	KtNi	% Co	KTCo
LATERITES										
Bukit Limber Barat (Santa Monica West)	13.0	1.30	169.2	0.17	21.7	5.4	1.32	71.8	0.16	8.7
Bukit Limber Timur (Santa Monica East)						10.3	1.25	128.4	0.16	16.4
Coastal Deposits	5.5	1.29	71.3	0.15	8.5	1.7	1.28	21.4	0.14	2.3
Total Laterites	**18.5**	**1.30**	**240.5**	**0.16**	**30.2**	**17.4**	**1.27**	**221.6**	**0.16**	**27.5**
SAPROLITES										
Bukit Limber Barat (Santa Monica West)	23.1	1.63	376.9	0.03	7.6	10.3	1.62	166.4	0.03	3.4
Bukit Limber Timur (Santa Monica East)						20.9	1.49	310.9	0.04	8.8
Coastal Deposits	15.7	1.62	253.4	0.05	7.8	6.3	1.54	97.0	0.05	2.8
Total Saprolites	**38.8**	**1.63**	**630.2**	**0.04**	**15.4**	**37.5**	**1.53**	**574.3**	**0.04**	**15.0**
Total	**57.3**	**1.52**	**870.7**	**0.08**	**45.6**	**54.9**	**1.45**	**795.9**	**0.08**	**42.5**

The data on reserves corresponds to the transformation of resources in the masses covered by a mining project and the application of mining factors based on the following criteria:

- Reserves are calculated in mining projects with a cut-off grade of 1% Ni for ores in the coastal deposits and the earthy laterites and saprolites in the Bukit Limber masses, at 1.4% Ni in rocky saprolites in Bukit Limber characterised by high MgO content and deemed more suitable for selective mining. The measured resources in the masses grouped in the coastal deposits and the mass at Bukit Limber Barat were converted to proven reserves following geostatic surveys which measured the impact on the latter of selectivity at 1.4% Ni.
- The experience garnered 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 in place. In particular, access issues and management of water drained from the mine resulted in zones presenting a natural incline greater than 30° being rejected from the project and the average pit slope being limited to 35°.
- Minimum ore thickness was also used as a selection criterion for mineable zones. At this stage of the study, this varies from 3 m and 12 m according to the specific climatic, geomorphologic or environmental conditions at each mass.

An external audit was conducted in March 2009 by Melabar GeoConsulting which confirmed that the estimation methodology used by Pt Weda Bay Nickel is suitable to the types of deposits concerned. The classification procedure for resources recommended during the audit has been integrated in 2009. Consequently, Melabar GeoConsulting confirmed that the resources have been calculated satisfactorily, that the conversion of resources into reserves has been made in compliance with mastered technical constraints garnered thanks to results based on an experimental mining project, all in accordance with the recommendations defined in the JORC code.

Drilling will continue over the coming years to reduce the drilling pattern on certain strategic masses, which will result primarily in an improvement in confidence levels and resource/reserve classification.

3

RISK FACTORS

3.1. Commodity risks

The Group is exposed to the volatility of commodity prices, impacting its sales as a nickel and manganese producer. The long-term trend in prices and demand in the nickel and manganese markets is detailed in Chapter 2 on Group business activities, pointing to significant fluctuations, upwards as well as downwards, especially over the past number of years.

The Group is also exposed to commodity price volatility affecting its production costs as a consumer of energy (fuel oil and electricity) and commodities (aluminium and titanium). As energy represents a non-negligible portion of production costs, to protect itself against rises in those costs, the Group has adopted a policy of diversifying its energy sources (electricity, fuel oil, coal and gas).

Nevertheless, a significant change in commodity prices could, notwithstanding the measures taken, have a negative impact on the Group's future performance.

As regards the measures taken, the Group uses various instruments to hedge and limit its exposure to nickel and fuel oil risks: forwards and options. This management is part of a multiyear policy in accordance with the procedures approved by the Executive Committee and is subject to monthly reporting. Exposure to manganese and coke price volatility is not hedged since there is no organised market for these commodities. Aluminium and electricity hedges are not material.

At December 31, 2009, the fair value of hedges put in place for these various commodities was:

- €14 million asset for nickel (€32 million asset at December 31, 2008);
- €5 million asset for fuel oil (€55 million liability at December 31, 2008);
- €1 million liability for aluminium and electricity (€5 million liability at December 31, 2008).

A change of plus or minus 20% in commodity prices would impact the hedges, mainly charged to shareholders' equity as summarised below:

(millions of euros)	Nickel	Fuel oil	Aluminium	Electricity
+20% change in prices	11	18	NA	NA
-20% change in prices	(7)	(14)	NA	NA

3.2. Relationships with Group 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 without long-term political and economic stability. While the Group ensures that appropriate measures are taken to avoid such risks, political and/or economic changes could have a significant impact on its business.

3.2.2. THIRD PARTY RELATIONSHIPS

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 ongoing operations do not present any particular risks or commitments for the Group. These mainly involve purchases of raw materials (electricity, coke, and special alloys) and freight services (sea and land).

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% interest. ERAMET and Nisshin-Steel have had a ferronickel supply agreement in place since 1991. Nisshin-Steel is a major customer that accounts for 10% of sales at the Nickel Division. This agreement was renewed in 2001 and 2007 and is designed to guarantee ferronickel deliveries for several years and smooth fluctuations in nickel prices.

RELATIONSHIP WITH STCPI AND NEW CALEDONIA

Société Territoriale Calédonienne de Participations Industrielles (STCPI) has a 34% interest in Société Le Nickel-SLN (in which ERAMET has a 56% interest). 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 (with a mostly Melanesian population) on the other hand. This interest, initially 30%, which was sold by the French state when ERAMET was privatised, has political, financial and strategic value because it aligns local interests with the Group's mining and industrial interests in New Caledonia. The interest was raised to 34% following the General Shareholders' Meeting of July 23, 2007, pursuant to the terms of the shareholders' agreement of September 13, 2000. STCPI is a simplified limited liability company, the sole purpose of which is to hold shares in Société Le Nickel-SLN and ERAMET (approximately 4%). 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 fifteen represent it on the ERAMET Board of Directors. The Board members and observer are selected so as to ensure that, on one hand, the Southern Province and, on the other hand, the Northern and Island Provinces, have balanced representation.

SOCIÉTÉ LE NICKEL-SLN SHAREHOLDERS' AGREEMENT

Pursuant to the Société Le Nickel-SLN shareholders' agreement of September 13, 2000 between ERAMET and Société Territoriale Calédonienne de Participation Industrielle (STCPI), following the agreement of July 17, 2000 between the State, the provinces of New Caledonia and representatives of the island's main political parties, following the share swap of July 23, 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. The Société Le Nickel-SLN shareholders' agreement of September 13, 2007, which runs for ten years, renewable for five-year periods, covers:

- 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 over the shares held by the party that falls under the control of any company, "the main activity of which, 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 either 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, through either the retrocession of shares or the joint exercise of subscription rights as part of a share capital increase.

Following a press release from STCPI on June 27, 2008, proposing the opening of discussions regarding the level of its interest in Société Le Nickel-SLN, ERAMET's Board Meeting of July 11, 2008 resolved that it didn't feel there was any reason to change the shareholder structure of Société Le Nickel-SLN, which represents a satisfactory balance.

Following its Board meeting of November 19, 2009, Société Le Nickel-SLN announced that it was instituting a new more modern corporate governance structure, to further the involvement of New Caledonia, through the establishment of a Strategy Committee, an Audit Committee and a Compensation Committee. STCPI has a substantial presence on these three committees, and chairs the Audit Committee.

PRONY & CREEK PERNOD CONCESSIONS

In January 2009, the Southern Province of new Caledonia awarded Société Le Nickel-SLN exploration licences 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 laying down the terms for developing those deposits.

This project requires the construction of a hydrometallurgy ore processing plant with a production capacity of around 60,000 tons of nickel *per annum*.

Vale-Inco has challenged the validity of the licence award process. The licences were voided in decisions handed down by the New Caledonia Administrative Court on November 17, 2009.

Société Le Nickel-SLN has appealed against these rulings.

The project has thus been suspended pending a favourable outcome to its appeals.

NOTE ON NEW CALEDONIAN ORE RESERVES

The implementation of the Bercy agreements of February 1, 1998 was completed at the end of 2005. The Koniambo massif mining rights were assigned to SMSP and those of Poum to Société Le Nickel-SLN. The French State is guarantor of the proper execution of the Bercy agreements. ERAMET and Société Le Nickel-SLN will pay close attention to 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 actually linked to the construction of a plant in the North of New Caledonia.

RELATIONSHIP WITH PT ANTAM AND INDONESIA

The Indonesian company, PT Weda Bay Nickel, is the project and exploration company established to develop the Weda Bay nickel and cobalt project, located on Halmahera Island in Indonesia. This company is 90% owned by Strand Minerals with a 10% interest held by the Indonesian public limited company, PT Antam Tbk (Antam), specialising in exploration, mining operations, refining and the distribution of mining products. Antam is represented by one director on the Board of PT Weda Bay Nickel (out of a total of five directors, three of whom represent ERAMET) and also holds an option to take its interest to 25%.

PT Weda Bay Nickel's exploration and operating activities are carried on under a Contract of Work entered into with the Indonesian Government.

RELATIONSHIP WITH MITSUBISHI (WEDA BAY PROJECT)

On February 19, 2009, Mitsubishi acquired a 33.4% interest in Strand Minerals, which itself owns 90% of the capital in the Indonesian company, PT Weda Bay Nickel. ERAMET and Mitsubishi have brought their combined expertise to bear to carry out the studies required to take the final decision as to whether to move forward with the project. Under the shareholders' agreement signed by the parties, Mitsubishi is represented on the Board of Strand Minerals by two directors out of a total of six, and by one director on the Board of PT Weda Bay Nickel, 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 since it was founded, with the latter being 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 concessions (a mining agreement and special tax agreement to finance the sintering complex) and industrial measures (as Comilog's partner in building the Owendo Port, Comilog's subsidiary, Port Minéralier d'Owendo having been granted a concession on 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 joint interests, makes it possible to work together on a constructive basis and to plan for the development of new industrial projects. As part of its project to build two new silicomanganese and manganese metal metallurgy units at Moanda in Haut-Ogooué (called the "Moanda Metallurgy Complex"), Comilog signed two agreements with the Gabonese authorities in Libreville on January 7, 2010: firstly, an agreement notably designed to set out the legal, tax and customs framework governing the project and secondly, an agreement setting out the terms of future energy supplies to the complex.

3.3. Mining and industrial risks

3.3.1. RISKS ENTAILED IN THE MEASUREMENT OF MINING RESOURCES AND RESERVES

Mining resources and reserves may change over time, particularly on account of the technical and economic assumptions adopted when operating them (geological data, operating-cost factors, mining technology). Accordingly, resource and reserve estimates are revised annually, quantitatively and qualitatively. The details of these estimates and of the assumptions adopted can be found in the "Reserves and Resources" subsection of Chapter 2.

3.3.2. MINING PROJECT DEVELOPMENT RISKS

In light of their capital intensity and duration, studies into the launch of new mining operations or the overhaul of existing operations are investment decisions that, besides necessitating complete technical feasibility studies, firstly require the preparation of financing and profitability calculation assumptions that are directly influenced by price changes in the relevant commodities, the relevant exchange rates and the cost of credit and the chosen financing. In periods of slowing demand, some such decisions may be delayed or abandoned, with a possible impact on operating profitability.

3.3.3. SAFETY AND ENVIRONMENTAL RISKS

3.3.3.1. Industrial activity and Sustainable Development

Within ERAMET, the 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 the unique nature of almost endlessly recyclable metals, the Group's business activities naturally dovetail with a sustainable development approach in a global context of scarcity and, accordingly, of the maximum reuse and optimisation of natural resources. Nevertheless, these, durable and recyclable, products may, at some stage in their conversion or use, present hazards or risks. The issue for the Group is, therefore, to identify all such potential hazards, prevent and control the resulting risks to its sites and the outside environment, while contributing to the sustainability and development of its business activity.

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

With respect to regulatory compliance, ERAMET has set itself a goal of "Zero disputes" as described below. The Group also reviews various industrial risk issues associated with its activities: the condition 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. In this regard, in 2007 the so-called "Zero dispute" goal was set: this means aiming for zero formal notices or legal proceedings potentially arising from any breach on the Group's part of regulatory requirements of operating permits.

The "Zero dispute" assessment for 2009 covers all the Group's working mines and industrial sites.

The Group pursues this zero-dispute policy objective at three levels across all industrial sites:

- **Level 1:** a letter setting out specific requests by the authorities which, if not acted upon, may lead to the serving of formal notice as regards regulatory obligations.
- **Level 2:** formal notice served or an official complaint formulated by the supervisory authorities concerning a breach by us of regulatory obligations, possibly leading to criminal proceedings or a fine.
- **Level 3:** legal proceedings brought and/or notice period expired with legal proceedings pending.

The "zero dispute" assessment for 2009 is noticeably less favourable than in prior years.

Accordingly, a level 3 dispute was recorded in 2009 but settled by year-end. Even though the site contested this claim, a fine was paid in response to local demands.

The year also saw a rise in the level 2 indicator, with 14 new formal notice incidents.

It should, however, be noted that most of these disputes, together with numerous disputes hanging over from previous years, were closed in 2009. The number of disputes arising in 2009 should be seen in light of the Group's growth and the expansion of its scope.

Finally, it should be stressed that 85% of sites were unaffected by any disputes in 2009.

ERAMET remains vigilant, and will pursue the zero-dispute goal in 2010, providing support to its industrial sites, particularly during this challenging period.

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 as a result of past or ongoing operations. Expertise has been developed in this field as a result of the experience built up in closing-down the Comilog France site at Boulogne-sur-Mer. It is capitalised upon in managing existing issues, as well as being systematically drawn upon when acquiring or disposing of assets. Thus, whenever appropriate, tests have been carried out and appropriate financial provisions funded. In 2009, tests on the environment conditions were carried out at a number of sites, as part of responsible dossier management.

At Gennevilliers, an approach matching the one taken in 2002 – and re-initiated in 2008 – was taken for the section of the site where operations are currently suspended.

At Firminy, two old waste heaps are undergoing detailed testing, assessing impacts on health, with the aim of instituting an appropriate management plan. Similarly, the actions undertaken since 2007 to measure the impact of hydrocarbon pollution were completed in 2008, and proved effective in the medium term.

An agreement was concluded in 2009 between the local authority and the Aubert & Duval site at Les Ancizes regarding the shutdown and restoration of the internal dump it shares with the municipality. This agreement sets out the responsibilities of each party as well as the technical and financial agreements to be entered into for 2011.

At ERAMET's Sandouville site in France, the testing of the soil surrounding the site was updated in 2009 and supplemented as part of a proposed land swap with the Le Havre Port authority.

In the Manganese Division, the Freeport, US, site expanded on initial restoration work on a waste storage facility (pond 4) to fully recover metals found in the waste, thereby eliminating a storage area that had existed for many years.

Lastly, the restoration work on the Comilog France waste storage site at Manihen (Pas-de-Calais), a municipality neighbouring Boulogne-sur-Mer, closure of which was announced in 2007, was carried out in 2009, in compliance with instructions from the authorities. The work will be finalised with the formal sign-off of the completion of works expected in 2010. At Comilog France's former production site at Boulogne-sur-Mer, the land had earlier been returned to the supervisory authorities on completion of the restoration works and on receipt of the formal sign-off from the authorities. However, on July 4, 2008, the Lille Administrative Court, ruling on an action brought by Comilog France, rejected that company's application to overturn the December 29, 2006 ruling by the Prefect of the Pas-de-Calais terminating Comilog France's permission to install and erect handling and storage facilities on the quayside *[concession d'outillage public]*.

On December 29, 2009, the Administrative Court of Appeal at Douai reinstated the full rights and obligations of Comilog France regarding the quayside at Boulogne-sur-Mer, ruling that the termination procedure had failed to uphold the adversarial principle. Consequently, Comilog France continues to monitor developments in this case, examining the avenues now available to it in order to conclude this matter in its best interests, possibly by means of an out-of-court settlement.

In Gabon, work began this year on upgrading the CIM and DFIP service stations, that of the ore terminal and the pre-homogenising mining service station. Work will continue in 2010, moving on to the facilities in the industrial zone.

At Tertre, in Belgium, work has been ongoing since early 2008 on shutting down the recycling-unit treatment water pond in order to reclaim the copper-bearing sludge that had settled during its 20 years of operation. At the same time, in April 2009, Finapal (Recticel) and Erachem Comilog Tertre filed with the *Office wallon des déchets* (OWD – Walloon Waste Management Board) a joint restoration plan for the former dyestuffs pool and the settling pool (80,000 m^3) – the latter having been used by the entire industrial zone until the early 1990s. The authorities accepted the project in principle on 18 December 2009, allowing the application to be processed, something that will continue in 2010.

In Gabon, studies began on the operational restoration of the Moulili river by means of the extraction of the sediment deposited in the bed downstream of the mine washing plant, with the performance of field assignments, particularly including a pilot quarry. This field work served to establish the main guidelines regarding the methods to be used from 2010 onwards.

In New Caledonia, despite significant cumulative rainfall (>2,000 mm at the 5 mining centres, with close to 3,000 mm at Kouaoua), no significant incident was noted. Numerous restoration projects were also carried out elsewhere, including the ongoing restoration of the mining sites in the Poro region and at the disused Si reis mine (Népoui), as well as major water-drainage improvement works at the Kiel mine (Doudou Canal)

3.3.3.4. Industrial risk prevention policy

GROUP CRISIS MANAGEMENT PROCEDURES

These set out communication requirements and best practices covering three scenarios:

- **Crisis prevention:** identification of local and national landscape (authorities, elected representatives, media, etc.), contact plans, identification of poor indicators, Group reporting, simulations.
- **Management of serious incidents:** definition of a serious incident, Group reporting, feedback, communication.
- **In a crisis:** criteria for identifying crisis situations, Group reporting, organisation during crises (operations management, communication, recourse to experts, crisis unit), feedback.

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

As part of the first procedure, a one-off action was taken in 2008, driven by the DC2D, in order to identify site and Group stakeholders.

METHODOLOGY ASSISTANCE WITH RISK ANALYSIS

Via the DC2D the Group aids sites with their hazard studies.

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

PREVENTIVE ENGINEERING AS PART OF THE GROUP'S DAMAGE/BUSINESS INTERRUPTION INSURANCE POLICY

In 2009, ERAMET continued its policy of bi-annual engineering visits (risk-prevention audits) to all its industrial sites, in close cooperation with the insurer, the brokers and the Group Insurance Department.

The following 9 sites have been visited:

- ERAMET Research;
- Alloys: Aubert & Duval Pamiers and Airforge;
- Manganese: Norway (Tinfos Kvinesdal and Tyssedal), Gabon (Comilog SA and Setrag), US (ERAMET Marietta and GCMC).

The action monitoring indicators agreed upon following these visits are reported-on twice annually, covering compliance with the standard fire safety procedures and the actions to protect strategic installations.

For example, in the case of the standard Group procedures drawn up with the insurers, in two-and-a-half years the performance indicator for all industrial sites covered by the Group policy (some 50 sites) has risen from 39% to 73% for strict procedural compliance, falling from 19% to 0% for absence of procedures and from 42% to 27% for partial procedural compliance.

As always, close involvement of the leading insurer's engineering teams in all capital expenditure programmes helps ensure optimum protection for new facilities. Along with the prevention visits, 10 meetings were held to present the insurers with the major capital expenditure projects in order to include their recommendations in the facility design stage and there has been much contact for less significant projects.

New insurance standards drawn for research departments were sent out to all sites in 2009, covering the recommendations to be complied with at new facilities and in the event of changes to existing critical facilities.

Lastly, an assessment was drawn up of risk prevention investments carried out within the Group since the introduction of the Group policy (January 2005). **The total amount was €30 million over 5 years,** demonstrating the significant commitment in this area by both the Group and sites.

ENVIRONMENTAL INSURANCE POLICY – RISK-PREVENTION VISITS

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

It was agreed with AXA at the time that 3 site visits would be conducted annually, in coordination with the DC2D.

In 2009, the visits took place at the following dates:

- Eurotungstène on March 25;
- Aubert & Duval Pamiers and Airforge on September 17 and 18, 2009;
- ERAMET Norway Porsgrunn on October 8.

This entails a one-day visit to each site comprising an assessment of the site's regulatory position, a field visit and a review of the action plans in place. As with damage inspection visits, a visit report including improvement recommendations is prepared by the insurer with internal follow-up of the relevant action plan by the DC2D.

3.3.4. TRANSPORTATION-RELATED RISKS

3.3.4.1.Sea freight

The Group makes extensive use of sea freight to ship its products first, in various stages, to production sites, and then for delivery to customers, because of the long distances between the mines where raw materials are extracted and the sites where they are processed, and between those sites and markets. To protect itself against sharp rises in freight costs, the Group strives to enter into long-term contracts at predefined prices and to reserve some ships on a long-term basis. During periods of low commercial activity, this may notably result in certain contracts being renegotiated.

The risk of property damage is moreover covered by specific insurance coverage.

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

Factors relating to this risk are described in the "Health and Safety" section in Chapter 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 are subject to change, with a possible impact on operations and results.

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 on December 31, 2009.

The following notes apply to subsidiaries outside mainland France.

- Société Le Nickel-SLN is liable for the mining and metallurgical corporation tax in New Caledonia at a rate of 35%. Since 1975, the company has benefited from a tax freeze system that has been renewed several times. It was last renewed for 15 years as from January 1, 2002 pursuant to a local decree of June 13, 2002. Moreover, some of the subsidiary's capital expenditure programmes in New Caledonia benefit from the tax exemption measures introduced by the Paul and Girardin Acts and from the relief granted under the New Caledonian Tax Code for capital expenditure in metallurgy.
- The Comilog subsidiary is subject to income tax at a rate of 35% and to export duty and a mining licence that represent approximately 6% of the pithead value of the mined products (close to FOB value) and to a 15% tax on dividends. This tax 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 September 20, 1995 took effect on March 1, 2008 and replaced the convention of April 21, 1966.
- In general, subsidiaries based outside France (Norway, Sweden, US, China, etc.) are subject to local tax legislation. The dividends paid by those subsidiaries to the parent company are in some cases subject to a withholding tax. In this regard, on January 13, 2009, France and the United States signed a new amendment to the convention of August 31, 1994 which is currently in force. This provision basically provides for the possibility of American and French companies being under certain conditions exempted from the withholding tax on dividend payments made between

the two countries. This Amendment was ratified in December 2009, allowing exemptions from dividend withholding tax with retroactive effect to all dividend payments made since January 1, 2009.

- It should be noted that since January 1, 2008, Chinese taxation has been substantially reformed, in particular with the discontinuation of systems favouring certain foreign companies and a unification of the income tax rate at 25%. This reform has had no particular implications for the ERAMET Group's Chinese companies.

3.4.2. MAJOR LAWSUITS

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

3.4.2.1. Nickel Division

GROUND POLLUTION LAWSUITS

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

The Gauzère case resulted in the court of first instance ruling against Société Le Nickel-SLN in May 1999, but on June 15, 2000 the Nouméa Court of Appeal ordered a new investigation.

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

The risk represented by these two lawsuits, for which a €1.4 million provision had been recorded as of December 31, 2004, is that the plaintiff's success would encourage other landowners neighbouring the mining massifs to bring proceedings. In a decision on September 1, 2005, the Nouméa Court of Appeal dismissed most of Mr. Gauzère's claims, overturning the May 1999 ruling of the court of first instance on the basis of expert findings. In December 2009, a definitive ruling found in favour of Société Le Nickel-SLN, concerning payment of time penalties on the works carried out. In the dispute involving Société Le Nickel-SLN and Mr. Newland, the expert report was filed on December 28, 2007. It attributed a small portion of the liability to Société Le Nickel-SLN, but the liability was for the most part shared by the local authorities and other miners. The €1.4 million provision has been maintained.

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 proceedings against Euroalliages and its members (including ERAMET Comilog Manganese) before the Court of Brussels on May 9, 2007, claiming €335 million in damages. ERAMET Comilog Manganèse, in association with Euroalliages, has done everything possible to fight this clearly excessive claim, which is actually intended to place indirect pressure on the European Union. As it currently stands, it has little chance of succeeding, the Commission already having placed customs duties on some of the products pursuant to a Regulation of December 4, 2007, a decision that has been challenged before the Court of First Instance of the European Community. On February 17, 2009, the Court of Brussels ruled in favour of Euroalliages and its members, ruling that only European Union courts have jurisdiction to hear this dispute pertaining to an anti-dumping complaint. The Kazakh producers appealed against this ruling, and a decision is not expected to be handed down on the appeal before 2011.

FORMER COMILOG EMPLOYEES IN THE 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 September 5, 1991 in the Republic of Congo, Comilog's transportation of ore through this country was suspended. As this situation showed no sign of coming to an end, it resulted in 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 "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 July 19, 2003.

Under this agreement, Comilog and the Republic of Congo thus put an end to all past and future disputes, with that Republic 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 dismissed employees. This sum is in addition to the considerable real and movable assets turned over for no consideration by Comilog.

Considering this compensation insufficient, 867 former Comilog employees in the Republic of Congo summoned three French Comilog subsidiaries, none of which had ever employed these people, together with Comilog itself to appear before the Conciliation Board of the Paris Labour Court on October 9, 2008.

After discussing the matter and finding a number of irregularities in the summonses, the Conciliation Board decided to defer the matter to another conciliation hearing set for June 22, 2009. After a number of adjournments, a ruling on October 28, 2009 by the Conciliation Board referred the matter to the Judgement Panel for a hearing in October 2010. In its ruling, the Conciliation Board noted that the exceptions put forward by the defendant companies, particularly regarding the nationality of Comilog, raised a pretty big hurdle. In early December 2009, the claimants appealed against that decision asking for it to be wholly struck down. The date for the hearing in the Labour Law Chamber of the Paris Appeal Court has been set for June 17, 2010. In view of the weak grounds for these actions, the various defendant companies have not funded any provision.

3.4.3. EXCEPTIONAL EVENT OCCURRING DURING THE YEAR

On December 17, 2009, Carlo Tassara France issued a writ summoning Sima, Sorame and Ceir, as well as members of the Duval family, to appear before the Paris Commercial Court. The writ specifies that these proceedings are being brought in the presence of ERAMET. Details of this matter can be found in Note 34 to the consolidated financial statements set out in Chapter 6 of this document.

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, with €946 million at December 31, 2009. 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 additional sources of financing, should the need arise, through the use of a revolving credit facility, the issue of commercial paper and repo transactions (see Chapter 1.2.3).

3.5.1.1. Other liabilities

In addition certain Group subsidiaries have access to credit facilities some of which have been drawn down as of December 31, 2009, notably in the form of finance leases and the borrowings of the Norwegian companies Eralloys Holding A/S and Tinfos A/S, consolidated as of August 1, 2008.

3.5.1.2. Covenants

The Group's main covenants are described in the notes to the consolidated financial statements (Note 21).

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 risks 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 exchange risks when a company pays or collects net flows in a currency other than its functional currency;
- foreign currency risks impacting the balance sheet from changes in the net assets of subsidiaries denominated in currencies other than the Euro.

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

The Group hedges the foreign currency risks to its balance sheet on a case-by-case basis.

TRANSACTIONAL RISKS

Since 2007, hedging has 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 with a maximum horizon of thirty six months if the net amount exceeds €2 million or the equivalent thereof per currency and *per annum*, except where decided to the contrary.

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

The breakdown of these hedges can be found in the notes to the consolidated financial statements (Note 21).

At December 31, 2009, the fair value of currency hedges in respect of transactional risks was a net asset of €31 million (December 31, 2008: a €64 million liability), chiefly on account of the rise in the dollar against all currencies in H1 2009, allowing the setting up of hedges at more favourable rates than in 2008, with the fall in the dollar at the year end leading to those hedges being heavily in the money.

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 and purchases and payments; and
- the contractual rate for unwinding hedges,

are recognised by each company under current operating profit (loss) on sales (under "Translation adjustments on sales" – Note 22.2) or purchases (under "Cost of goods sold").

A change of plus or minus 10% in dollar exchange rates would have an impact on the hedges recognised in shareholders' equity of around -€57 million were rates to rise and approximately +€61 million were rates to fall.

BALANCE SHEET RISKS

See notes to the consolidated financial statements (Note 21).

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 or not interest rate hedging is necessary. The Group's Treasury Department is responsible for putting in place any hedges

   As of December 31, 2009, the Group had no interest rate hedges in place on its gross debt.

b) The cash surpluses managed by Metal Securities are mainly invested:
   - in instruments bearing interest calculated on the basis of the Eonia (Euro OverNight Index Average) or Euribor (Euro InterBank Offered Rate) rates; or
   - in fixed-rate instruments swapped against Euribor.

As a result, a 10 basis point drop in the Eonia/Euribor rate would have a negative impact of approximately €1 million on finance income.

3.5.2.3. Counterparty risk

The Group is exposed to several types of counterparty risks: in respect of its customers and its financial partners notably through its invested cash surpluses.

- The Group has several means of monitoring and hedging its customer 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.
- For issuers of bonds or marketable debt securities with maturity exceeding three months, the applicable procedure for Metal Securities sets global limits for investments according to the applicable rating for counterparties and maturities. Moreover, each counterparty is also subject to regular monitoring of the assessment of credit analysts and/or rating agencies and all risks are reviewed quarterly.
- For collective investment schemes (OPCVM), the applicable procedure for Metal Securities sets a double dispersion rule, both in terms of holding ratio per defined collective investment scheme and in terms of spread of the amounts invested. This procedure is in addition to the risk division rules applied by assets managers.

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 putting in place Group programmes, monitoring the prevention policy in liaison with the DC2D and seeking optimal risk-premium-coverage solutions, including via the Group's captive reinsurance.

3.6.1.2. Risk identification and control

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

3.6.1.3. Use of insurance market

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

3.6.1.4. Reinsurance

The Group, moreover, 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 limits.

The Divisions are accordingly encouraged to develop their own prevention programmes.

3.6.1.5.Coverage levels

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

3.6.2. VARIOUS CATEGORIES OF INSURANCE COVER

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

3.6.2.1. Civil liability insurance

This programme covers the legal civil liability incurred by the Group as a result of damage caused to third parties in connection with its operations or from its products, namely: general operating liability, lessors' insurance, product liability including for aerospace products, professional civil liability and sudden and accidental pollution cover.

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, when local regulations require local policies, it applies on top of these policies on a DIC/DIL basis worldwide.

Above and beyond local policies, the programme is based on a Master policy written in France covering €50 million and on two additional Excess policy lines of €50 million each supplementing the Master policy and 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 on top of the coverage and limits of several specific sub-programmes, particularly in North America, for motor insurance and employer's civil liability, and, in the United Kingdom, on top of mandatory insurance policies such as employer's civil liability.

The annual renewal date for this programme is July 1.

This programme was put in place on July 1, 2004 with AXA Corporate Solutions. It was renewed on July 1, 2006 for a period of three years and subsequently on July 1, 2008 for a period of three years. These successive long-term renewals did not entail any increase in premiums.

In addition, in 2007, a specific environmental civil liability policy was taken out for €10 million to cover certain subsidiaries in France and Europe, and a similar policy was taken out for US$25 million in early 2008 for the US and Canada.

3.6.2.2. Property damage and business interruption insurance

This global programme covers direct property damage caused suddenly and accidentally affecting the insured property, including machine breakage risk and any resulting business interruption losses for all Group entities. Coverage is comprehensive meaning that everything not excluded is covered, exclusions being those commonly applied for this type of risk. The programme is based on a Master policy issued in France that directly covers the following countries: France, Belgium, Italy, Norway, the United Kingdom and Sweden. It applies on a DIC/DIL basis on top of and to compensate for differences in conditions and/or limits for the local policies of companies in the programme, as well as companies not included in the programme. In 2008, only the companies located in China were not included in the programme. They were covered in 2009. The programme was taken out with a pool of insurers with AXA Corporate Solutions as leading insurer. It took effect on January 1, 2005 with maximum coverage of €250 million, subject to sub-limits applied to certain events and to commonly accepted exclusions.

It was renewed on January 1, 2006 for two years with very substantial improvements.

Subsequently, on each anniversary date, *i.e.* without awaiting the end of the two-year term, the programme has undergone appreciable technical improvements in terms of coverage and excesses. It has, moreover, been renewed for additional 2-year periods. The current two-year period will expire on December 31, 2010. Particular attention is given to the insurers' recommendations during prevention visits. This makes it possible to customise both the prevention programme and the coverage terms for the sites.

3.6.2.3. Shipping insurance

Up to the end of 2007, the Nickel and Manganese Divisions each had a shipping insurance programme for ore and product shipping between industrial sites and to customers; the Alloys Division did not have a specific programme.

At end 2007, a call for tenders was launched to establish a Group global shipping programme.

This programme covers the period from January 1, 2008 for all Group entities worldwide and for all types of shipping: sea, river, land or air.

This covers all types of goods, freight or equipment shipped. This programme is comprised of three policies: a "marine cargo" for goods shipping with AIG, "charterer" with RAETS Club and "hull and machinery" with AXA.

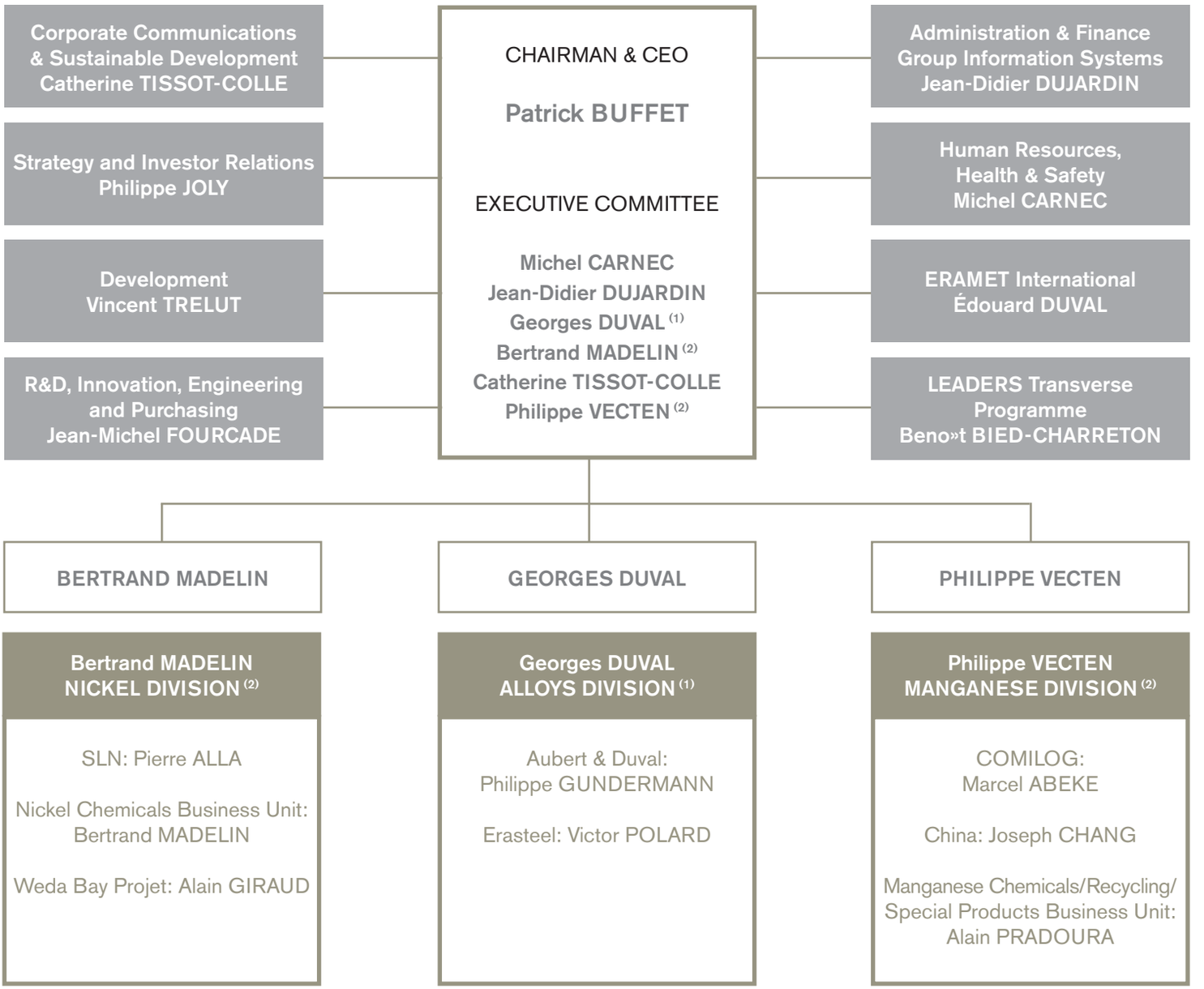
The introduction of this programme provided for both particularly favourable coverage conditions and a very substantial reduction in premiums.

4

CORPORATE GOVERNANCE

4.1. Presentation of Company and Group management and administrative bodies

4.1.1. GENERAL MANAGEMENT ORGANISATIONAL CHART



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

4.1.2. REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

As Chairman of the company's Board of Directors, I hereby present you with the report provided for under Article L. 225-37 of the French Commercial Code. This report was approved by the Board of Directors at its meeting of February 17, 2010.

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 line with the decision of the Board of Directors on December 9, 2008, ERAMET uses as its reference framework the December 2008 AFEP/MEDEF corporate governance code for listed companies, resulting from the consolidation of the AFEP report and the October 2003 MEDEF report and their recommendations of January 2007 and October 2008 on the remuneration of the corporate officers of listed companies. A copy of this code is available from the Legal Department at head office.

GENERAL MANAGEMENT

Company management method

At its meeting of March 26, 2003, the company's Board of Directors adopted, in line with the discussions of the General Shareholders' Meeting of May 23, 2002 and Article 15 of its Articles of Association, a traditional organisation of the company's management with a Chairman & Chief Executive Officer responsible for both the general management of the company and the chairmanship of the Board of Directors.

In 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.

General management structure

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

Chairman and CEO: Patrick Buffet.

At its Meeting of April 25, 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 May 23, 2002), Alloys Division;
- Bertrand Madelin (with effect from January 1, 2008), Nickel Division;
- Philippe Vecten (with effect from May 23, 2007), Manganese Division.

The three Deputy CEOs are each 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 & 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 Financial Communications 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 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 & Safety Department, Administration and Finance Department and Communications and Sustainable Development Department) are Comex members increases the effectiveness and coherence of their activities. 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 quarterly and is comprised of the members of the Executive Committee, the CEO of Erasteel, the CEO of Aubert & Duval, the Chairman of ERAMET International, the Deputy CEO of Société Le Nickel-SLN, the CEO of Comilog, the Managers of the Nickel and Manganese Division business units, the Manager of the Leader projects, the Manager of ERAMET in China and the Manager of Research, Innovation, Engineering and Purchasing.

BOARD OF DIRECTORS

Membership/Independence

In line with the shareholders' agreement of June 17, 1999, as amended on May 29, 2008, between Sorame and CEIR on the one hand, and AREVA, on the other hand, since the Meeting of July 21, 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;
- Three Directors put forward by AREVA;
- Two Directors put forward by 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).

At December 31, 2009, in addition to the **Honorary Chairman,** Yves Rambaud, the Board of Directors had the following fifteen members:
Chairman of the Board of Directors: Patrick Buffet, since April 25, 2007.

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

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

Directors:

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

The Afep/Medef report 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 the basis of a review of these criteria by the Board, since the General Shareholders' Meeting of May 13, 2009 and the appointment of a fifteenth member to the Board having the status of an independent director, the Board has five independent directors out of a total of 15 members, meaning that one third of the members are independent in line with the recommendations of the Afep/Medef Code.

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

Company Works Council Delegates: Christian Detreille (replaced by Serge Zaragoza as from February 17, 2010), Claudine Grossin, Didier Jacq and Yann Gourvil.

ERAMET Director's 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, signs up to the charter that gives a general description of the Directors' responsibilities, the principles governing their actions and the rules of conduct imposed by current legislation and the company's Articles of Association.

The charter, which was 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). 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 set down in a procedure that applies to corporate officers and executives who appear in a regularly updated list.

By-laws

The Board adopted By-laws on September 6, 2006 which specify its organisation. The By-laws are available from the Secretary to the Board of Directors at the Company's head office. They state that the Board approves the Group's strategic issues and strategic capital expenditure projects, and any transactions, particularly the acquisition or disposal of assets, that are likely to significantly affect the Group's performance, balance sheet structure and risk profile. It also receives press releases on the approval of the financial statements or acquisitions/disposals before they are released, except in demonstrated emergencies.

The By-laws also specify the membership, organisation and operation of the Committees, as described below. Within the framework of their respective remits and after informing the Chairman, the Committees may invite the Group's managerial personnel. They report upon the information obtained and the opinions heard.

Code of Conduct

On January 20, 2010, on the recommendations of the Audit Committee, the Board adopted the Group's Code of Conduct. The full text of the Code can be found on ERAMET's website. This Code is meant to bring together a set of core shared principles of conduct that everyone in the Group will be able to refer to and comply with in all circumstances. These principles apply first and foremost to the Group but the Group encourages all of its partners to share the same demands. These principles are as follows: combat all forms of fraud and corruption, avoid all conflicts of interest, comply with rules on competition, protect Group information, respect and protect employees, provide good-quality products and services in accordance with regulations, promote the Group's regional and social responsibility, provide the Group's local partners with good-quality information and provide its shareholders with reliable and comprehensive information.

This Code will be distributed to all the Group's employees and passed on by Comex members, the management committee of each Division and the core teams at the corporate departments. Patrick Rothey, the Group General Counsel, has also been put in charge of code of conduct for the ERAMET Group. He will be responsible for ensuring that the Code of Conduct is properly implemented.

Sustainable Development Policy

Moreover, on January 20, 2010, on the recommendations of the Audit Committee, the Board of Directors adopted a sustainable development policy. The full text of the policy can be found on ERAMET's website. The main provisions of this policy are set out in Chapter 5 (Sustainable Development) of this document.

Assessment of the Board's work

In 2009, the Secretary to the Board asked all Board members to fill out a questionnaire (prepared in consultation with an outside firm) aimed at assessing the operation of the Board. Where necessary, face-to-face meetings were also held. The analysis of the conclusions of this assessment will be presented and discussed at a future Board Meeting sometime in 2010.

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 by the Chairman on the main events having occurred since the last Meeting, followed by a presentation by each Division Manager on the state of business in 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 to the Board (in principle, the Company's Group General Counsel) 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 2009

The Board of Directors met 9 times in 2009. The attendance rate of its members was 78%.

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

- the approval of the 2008 financial statements of the Company and the Group and the calling of the General Shareholders' Meeting;
- the review of the 2009 interim financial statements;
- the review of the key events affecting the company and its Divisions during the previous quarter;
- the 2009 budget and the forecasts for 2010;
- planned investment in or development of existing facilities.

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

- the new partnership with the Mitsubishi Group on the Weda Bay Nickel project;
- the second phase of the acquisition of the Norwegian company Tinfos;
- the lithium partnership with the Bolloré Group;
- the metallurgy plants project in Gabon;
- the plan to dispose of Tinfos International's international trading business.

A letter was sent to Directors on December 17, 2009 by the Chairman, informing them of the Carlo Tassara France proceedings.

In order to carry out its work, the Board is also aided by three Committees it has established.

Audit Committee

A charter specifying its membership (three members), its operation and its responsibilities was adopted by the Board on December 10, 2003. It was last updated on December 9, 2008, to take account of the Act of July 3, 2008.

In addition to the legal responsibilities provided for in Article L. 823-19 of the French Commercial Code, this Committee is notably responsible for (i) reviewing the suitability 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) and ensuring that the Group's management of foreign currencies and commodities, hedging and investments complies with Group procedures. The Committee is also responsible for reviewing the Chairman's report required pursuant to Article L. 225-37 of the French Commercial Code.

In particular, the Chief Financial Officer, the Statutory Auditors, 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 is a graduate of the *Institut d'Études Politiques* in Paris and holds a degree in economics. He has been a member of General Management and the Chief Financial Officer of the AREVA Group for many years.

Michel Somnolet, an HEC graduate, is a former Director and Vice President in charge of Administration and Finance at L'Oréal.

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

The Audit Committee met twice during 2009 and the attendance rate of its members was 100%.

In addition to presenting the financial statements for the prior year in February and examining the interim financial statements in July, the Committee annually reviews the report on the audits carried out during the year and the audit programme for the following year. The Committee's examination of the financial statements is accompanied by a presentation by the Statutory Auditors of the audit findings and the main points arising from the work carried out.

For financial year 2009, the Committee specifically reviewed the following points:

- the Chairman's report on the work of the Board of Directors and on internal control;
- the recognition of the Tinfos deals, the impairment of assets at Erasteel and the Mitsubishi deal;
- a study on the introduction of foreign currency hedging on inter-company flows, changes to exchange rate hedging policy;
- cash investment policy;
- an update on pension funds in France and in the foreign subsidiaries.
- the Group's draft Code of Conduct.

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 as regards the remuneration of the corporate officers of the ERAMET Group appointed by the Board of Directors.

The Committee is assisted in its work by the Group's Human Resources, Health and Safety Manager who also acts as Committee 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 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 annually, on the basis of recommendations from the Compensation Committee, such as for 2009, for example: (i) actual economic performance (Current Operating Profit), (ii) financial performance (net cash position), (iii) the completion *vis-à-vis* the budget and schedule of substantial capital expenditure programmes, major industrial projects or acquisition and development activities, (iv) "managerial" results in terms of team motivation and leadership, project and strategy proposals and goals in the field of health, safety and the environment and industrial risks. For confidentiality reasons, these results, compared to pre-established objectives which have been precisely set out by the Compensation Committee and the Board of Directors, cannot be made public. The variable portion cannot exceed 50% of the gross annual fixed remuneration (100% for the Chairman and CEO) for financial year 2009. At its meeting of January 20, 2010, the Board of Directors, following recommendations from the Compensation Committee on November 26, 2009, decided that as from 2010, the corporate officers' variable portion cannot exceed 55% of the gross annual fixed remuneration (110% for the Chairman and CEO).

- In addition, in respect of profit-sharing, corporate officers may benefit from bonus share plans or share subscription or purchase option plans, the terms and conditions of which are set by the Board of Directors, on the basis of recommendations from the Compensation Committee. Since the Board Meeting of July 23, 2007, corporate officers are required to retain 20% of the shares acquired under the bonus share plans for the term of their appointments. In 2008 and 2009, no share subscription or purchase options or bonus shares were granted to corporate officers.
- Corporate officers are eligible for the existing defined benefit supplementary pension plan for ERAMET executives, a plan for which new arrangements came into force from July 1, 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 is determined by taking into account the benefit represented by the supplementary pension plan. Those people who have at least two years' seniority in the company are entitled to join this plan. The retirement plan encourages recipients to refrain from claiming their benefits before the age of 65 as an early retirement factor can significantly reduce the supplementary pension if the person retires at the age of 60. Finally, 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 a full-year basis for the variable portion. The set of arrangements, combined with the overall limitation of 35% of the reference salary, which itself is limited to 25 times the annual social security ceiling [(1)], provides a very reasonable balance to the whole pension plan.
- Should the Chairman and CEO leave the company, entitlement to the severance payment 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 April 16, 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 at ERAMET and the termination of an employment contract deemed to be attributable to the employer, a special protection, which is not cumulative with other applicable protections by way of contract or collective bargaining agreements, was decided in 2005 and implemented. On December 31, 2009, this protection covered 17 Group executives (Messrs Madelin and Vecten, the only corporate officer beneficiaries, primarily non-corporate officer members of the Group Executive Committee and divisional Comex). This protection, which represents an indemnity of three years' remuneration (fixed plus variable) for each beneficiary manager, was estimated at a total of €7.2 million on December 31, 2009. Patrick Buffet does not benefit from this protection.

  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 by the Board of Directors of the recommendations of the AFEP/MEDEF Code in 2008, it was concluded that the corporate officer remuneration arrangements are in line with these recommendations, with the exception of the number of annuities taken into account in order to calculate the amount of the Chairman and CEO's severance payment (three years), which should be revised when his term of office is renewed, whilst preserving the general balance of the corporate officer contract drawn up when he joined the ERAMET Group and adapted in 2008 to comply with the provisions of the TEPA Act (see above).

The Compensation Committee met seven times during 2009 and the attendance rate of its members was 95%.

During the financial year, as well as accepting the 2008 bonus proposals and the corporate officers' 2009 goals, which the Board of Directors approved, the Committee reviewed the terms and conditions of the 2009 Erashare global bonus share plan allowing five bonus shares to be granted to all employees in the company and its subsidiaries.

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, there was no independent director on this Committee and the Committee 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 to the Committee is the Group's Human Resources, Health and Safety Manager.

The Selection Committee did not meet in 2009.

(1) In 2009, the annual social security ceiling was €34,308.

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, particularly in the accounting and financial areas.

However, as with any control system, it cannot provide an absolute guarantee that these risks have been totally eliminated.

OVERVIEW OF THE AUDIT PROCEDURES IN PLACE

Internal control players

Owing to the diversity of its business activities, ERAMET is organised into three Divisions, each with all the functions required for its operation (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 Audit Committee of the Board of Directors, the role and rules of which are set out above;
- the Executive Committee (Comex), 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 by the Comex, it carries out assignments in the various Group units as defined in the Plan and instructed by the Chairman. It reports quarterly to the Comex and annually to the Audit Committee on the findings of its work and progress on 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 controls and monitors plans for Divisional management systems 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 Finance, Treasury and Insurance Department reports to the CFO. As a service centre, it looks after on behalf of the whole Group the hedging of foreign currency and commodity risks, particularly nickel and fuel oil, manages financial resources (investments and borrowings), and also sets up and monitors all the insurance contracts taken out by the Group. It supervises the commodity hedging contracts taken out directly by its subsidiary, Aubert & Duval, for its own purposes;
- 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's Human Resources, Health & 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 process introduced by ERAMET should enable it to anticipate the main risks the Group faces, to examine the suitability of the existing internal controls, and to implement the appropriate action plans to improve the effectiveness of these audits.

Risk analysis is mainly based on mapping carried out in 2004 and updated in 2006. The Group has decided to update this risk mapping in 2010.

It is supplemented by an annual review, together with the main operational managers of the Group's various Divisions, of processes requiring special analysis. 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 facing the Group are described in Chapter 4 on Risk Factors in the 2008 Reference Document and in the notes to the 2009 consolidated financial statement. Where necessary, they are supplemented in Chapter 3 on Risk Factors in the 2009 Reference Document.

The operational risks are mainly managed at Division level, in a manner adapted to the specific business activities. Industrial risks and environmental risks are monitored by the Communications and Sustainable Development Department in coordination with the Divisions.

The liquidity, interest rate, foreign currency and commodity financial risks are managed by the Finance, Treasury and Insurance Department for the whole Group.

A Nickel Committee was set up in 2006 to deal with commodity risks. It is comprised of representatives appointed by AREVA, SORAME and CEIR, on one hand, and by the Group's General Management, on the other hand. It is responsible for advising the latter as regards the definition and implementation of policies to control the risks relating to Nickel price fluctuations.

Finally, the Finance Department, in consultation with the Legal Department, monitors the insurable risk coverage policy for all Group companies. The various insurance programmes are described in the Group's 2008 Reference Document. Any additions to these insurance programmes are described in Group's 2009 Reference Document.

Summary of internal control procedures implemented in the Group

- **Existing charters:** The Audit Committee, Internal Audit, Legal Department, Management Control, Tax Department and 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.
- **Signing authority, other powers:** The three Division Managers, who are Deputy CEOs have all the powers granted by law. The Group's CFO has the power granted by the Chairman and CEO to operate the company's various bank accounts and to execute with a co-signer, whose name appears on the list drawn up, 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 whose name appears on the 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). Various projects to improve management systems are ongoing in the Divisions, including in particular the implementation of integrated procurement applications ensuring better control of commitments and separation of tasks throughout the supply chain.
- **General organisation of procedures:** ERAMET has drawn up, and published within the company and its subsidiaries, internal procedure manuals on capital expenditure, foreign currency hedging, management procedures (budgeting, planning, updating forecasts, analysis of over/under-runs, etc.), the consolidation manual and shared accounting rules, travel and expense accounts and financial procedures for cash. Three procedures relating to crisis scenario prevention and management have been established and distributed. 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/her, 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 SA appointed a Deputy Chairman and set up an Audit Committee and a Compensation Committee. At the meeting of the Board of Directors of Société 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 structure. At the SLN Board Meeting of November 17, 2009, this was agreed and implemented;
  - 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, respectively bringing together parent company CFOs, accountants, management controllers and treasurers with their Divisional counterparts 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;
  - carrying out of the internal audit plan: Internal audit carried out 14 assignments in 2009 across all the Group subsidiaries. The work carried out in 2009 did not reveal any serious failings or weaknesses in the way in which internal control is organised;
  - controlling strategic investments: 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 given and received: Independently of the above procedure, the quarterly accounting reporting includes disclosure of any such commitments. Moreover, the Legal Department provides support for major contract negotiations or in the event of disputes.

Internal control of the preparation of financial and accounting information

- Organisation of accounting responsibilities within the Group: The Accounting Departments of the parent company and its subsidiaries record daily transactions (purchases; sales, cash flows, etc.) and ensure that the accounting policies comply with the procedures established by the Group. The Accounting, Tax & Consolidation Department within the Group's Administration and Financial Department maintains the parent company's financial records, files its tax returns and all those relating to

tax consolidation and publishes ERAMET's separate and consolidated financial statements. The necessary coordination with the 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.

- Preparing consolidated financial statements: Consolidation returns are input into the BusinessObjects 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 the various closes during the year.
- Accounting manual: The consolidation manual is distributed to all subsidiaries and includes accounting rules that are shared across the whole Group and applicable for the purposes of financial statements drawn up in compliance with IFRS standards. It sets out the measurement methods used by the Group and specifies for consolidation milestones the rules to be followed when preparing financial statements.
- Budget and management control: The budget is determined at the end of each year for the following year and at least three forecast updates are carried out during the year. The budgets and forecast updates, as well as the related action plans, are formally approved by Division management, the Group Comex and subsequently the Chairman and CEO of ERAMET. Budget over/under runs compared to actuals are analysed monthly at Division-level and then at Group-level. In addition to financial statements, the Management Control Department prepares Group performance analyses during the period.
- Cash and Financing control: The Group's Administration & Financial Department, in addition to its role in the management of the foreign currency and commodity risk, sets up financing for the Group's main subsidiaries and carries out financial investments. It centralises the cash forecasting of the main companies and assists them to determine payment methods for at-risk countries. At the end of 2004, the Group 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.
- Work of the Board's Audit Committee: The Audit Committee reviews the interim and annual financial statements, monitors major disputes, compliance with procedures relating to foreign currency and commodity management policy as well as hedging policy. It reviews the internal audit plan and the actions decided upon based on the audits carried out.
- Liaison with the Statutory Auditors: The auditors carry out six-monthly reviews of the financial statements for which approval meetings are organised with the Finance Departments of the Divisions and the Group, with the Division Managers and subsequently 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 2008 Reference Document and are supplemented as necessary in ERAMET's 2009 Reference Document.

Paris, February 17, 2010

The Chairman of the Board of Directors

4.1.3. STATUTORY AUDITORS' REPORT PREPARED IN ACCORDANCE WITH ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE (CODE DE COMMERCE), ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS OF ERAMET

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 December 31, 2009.

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 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 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 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 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 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, March 1, 2010
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, forename or company name Main duties Family connection Expertise	Date of first appointment	Most recent reappointment date and expiry date of term of office	Other positions held
BUFFET Patrick Director, Chairman and CEO since April 25, 2007 Born on October 19, 1953 Business address: Tour Maine Montparnasse 33, avenue du Maine 75015 Paris Patrick BUFFET is a mining engineer. He was Senior Executive Vice President at Suez until 2007.	Director: Co-opted by the Board Meeting of March 7, 2007, replacing François Henrot who resigned Chairman and CEO: Board Meeting of April 25, 2007	General Shareholders' Meeting of April 25, 2007 for a four-year term Expiry of term: General Shareholders' Meeting called to approve the 2010 financial statements	**In Group companies** • Chairman and CEO of Société Le Nickel-SLN • Director of Comilog S.A. **In non-Group companies** • Member of the Supervisory Board of Arcole Industries (unlisted) • Director of Rhodia, Bureau Veritas, Banimmo (Belgium) **Offices held and completed over the past five years** • Member of the Supervisory Board of AREVA; Astorg-Partners • Director of: - CDC Ixis - Majority-owned Suez Group subsidiaries: Suez Energy Services; Tractebel (Belgium), Electrabel (Belgium), Société Générale de Belgique (Belgium), Fluxys (Belgium)
AUTEBERT Rémy Director Born on July 20, 1953 Business address: AREVA Japan Co. Ltd. Urban Toranomon, Bld. 5-F 1-16-4, Toranomon Minato-Ku Tokyo 105-0001 Japan Rémy AUTEBERT has worked for the AREVA Group for over 30 years.	General Shareholders' Meeting of May 21, 2003	Reappointment: General Shareholders' Meeting of April 25, 2007 for a four-year term Expiry date: General Shareholders' Meeting called to approve the 2010 financial statements	**In non-Group companies** • Chairman of AREVA Japan and AREVA Korea • Member of AREVA's International Committee • Representative of AREVA in Taiwan **Offices held and completed over the past five years** • Director of Mines, Chemistry, • Beneficiation at Cogema (from June 2004) • Director of the Mines Business Unit at Cogema (July 2000 to May 2004) • Chairman and CEO of CFMM SA • Chairman of Eurodif Management Board (until December 9, 2005) • Chairman of: COMUF (Gabon); Urangesellschaft GmbH (Germany); Somaïr (Niger); Cogema Australia • Manager of SMJ (until February 11, 2005) • Vice Chairman of the Board of Cominak (Niger) • Member of Eurodif's Supervisory Board • Director of: Eurodif Pro; CFMM SA; SGN; Cominak (Niger); Comurhex (until March 7, 2005); Katco (Kazakhstan); Cogema Resources Canada; SGN; CMA (Ivory Coast) (until January 1, 2005); COMIN (US); PMC (US); UG Canada Ltd. (until February 1, 2005); MUL (Canada); Cogema Australia • Permanent representative of: - Cogema on the Boards of: CFM SA; Comhurex SA; Sofidif; Somaïr (Niger) - CFMM on the Board of Cominor SA - CFM SA on the Board of SMJ (until February 11, 2005) • Member of the Board of Cogema Inc; Cogema Deutschland

Surname, forename or company name Main duties Family connection Expertise	Date of first appointment	Most recent reappointment date and expiry date of term of office	Other positions held
DUVAL Georges Director Vice Chairman Deputy CEO Born on May 3, 1946 Business address: Tour Maine Montparnasse 33, avenue du Maine 75015 Paris Brother of Édouard DUVAL, cousin of Cyrille and Patrick DUVAL Georges DUVAL is Vice Chairman of the Board and Deputy CEO of ERAMET, Manager of Sorame and CEO of CEIR.	General Shareholders' Meeting of July 21, 1999 Vice Chairman of the Board: Board Meeting of September 13, 2000 Deputy CEO: Board Meeting of May 23, 2002	Reappointment: General Shareholders' Meeting of May 21, 2003 and General Shareholders' Meeting of April 25, 2007 for a four-year term Expiry date: General Shareholders' Meeting called to approve the 2010 financial statements	**In Group companies** • Chairman of: Aubert & Duval (SAS); S.I.M.A. (SAS); ERAMET Alloys; Erasteel (SAS) **In non-Group companies** • Manager of Sorame SCA CEO of CEIR **Offices held and completed over the past five years** • Chairman of UKAD (SAS)
DUVAL Édouard Director Born on December 2, 1944 Business address: Tour Maine Montparnasse 33, avenue du Maine 75015 Paris Brother of Georges DUVAL, cousin of Cyrille and Patrick DUVAL Édouard DUVAL is Chairman of ERAMET International and Chairman of the Management Board of Sorame and CEO of CEIR.	General Shareholders' Meeting of July 21, 1999	Reappointment: General Shareholders' Meeting of May 21, 2003 and General Shareholders' Meeting of April 25, 2007 for a four-year term Expiry date: General Shareholders' Meeting called to approve the 2010 financial statements	**In Group companies** • Director of Société Le Nickel-SLN • Chairman of ERAMET International (SAS) • Deputy CEO of S.I.M.A. (SAS) **In non-Group companies** • Chairman of the Management Board of Sorame SCA • CEO of CEIR
DUVAL Patrick Director Born on May 15, 1941 Address: c/o ERAMET Tour Maine Montparnasse 33, avenue du Maine 75015 Paris Brother of Cyrille DUVAL, cousin of Georges and Édouard DUVAL Patrick DUVAL is Chairman of CEIR and Manager of SORAME.	General Shareholders' Meeting of July 21, 1999	Reappointment: General Shareholders' Meeting of May 21, 2003 and General Shareholders' Meeting of April 25, 2007 for a four-year term Expiry date: General Shareholders' Meeting called to approve the 2010 financial statements	**In Group companies** • Deputy CEO of S.I.M.A. **In non-Group companies** • Chairman of CEIR • Manager of Sorame SCA • Director of Cartonneries de Gondardennes SA • Manager of SCI Compagnie Franroval, SCI Les Bois de Batonceau, SCI de la Plaine, SCEA Les Terres d'Orphin

Surname, forename or company name Main duties Family connection Expertise	Date of first appointment	Most recent reappointment date and expiry date of term of office	Other positions held
DUVAL Cyrille Director Born on July 18, 1948 Business address: Tour Maine Montparnasse 33, avenue du Maine 75015 Paris Brother of Patrick DUVAL, cousin of Georges and Édouard DUVAL Cyrille DUVAL is General Secretary of the Alloys Division and Manager of SORAME and CEO of CEIR.	General Shareholders' Meeting of July 21, 1999	Reappointment: General Shareholders' Meeting of May 21, 2003 and General Shareholders' Meeting of April 25, 2007 for a four-year term Expiry date: General Shareholders' Meeting called to approve the 2010 financial statements	**In Group companies** • Deputy CEO of S.I.M.A. • Director of Metal Securities (permanent representative of S.I.M.A.) • Director of Comilog • Chairman of Forges de Montplaisir • Manager of SCI Grande Plaine **In non-Group companies** • CEO of CEIR • Manager of SORAME
FROGIER Pierre Director Born on November 16, 1950 Business address: Assemblée de la Province Sud 9, route des Artifices BP L1 98849 Nouméa Cedex Pierre FROGIER is a managing agent. He has been a Member of Parliament for the 2nd constituency of New Caledonia since 1993 and President of the Assembly of New Caledonia's Southern Province.	Co-opted by the Board Meeting of November 26, 2009, replacing Mr MARTIN who resigned	Expiry date: General Shareholders' Meeting called to approve the 2012 financial statements	**In non-Group companies** • Member of Parliament since 1993 • President of the Assembly of New Caledonia's Southern Province **Offices held and completed over the past five years** none
GIRAUD Pierre-Noël Director Born on March 8, 1949 Business address: CERNA 60, boulevard Saint-Michel 75272 Paris Cedex 06 Pierre-Noël GIRAUD is an economics professor at the École des Mines in Paris where he has set up the Industrial Economics Research Centre.	General Shareholders' Meeting of May 21, 2003	Reappointment: General Shareholders' Meeting of April 25, 2007 for a four-year term Expiry date: General Shareholders' Meeting called to approve the 2010 financial statements	**In non-Group companies** • Director of AREVA N.C. • Professor at the École des Mines in Paris • Member of the French Technology Academy **Offices held and completed over the past five years** none

Surname, forename or company name Main duties Family connection Expertise	Date of first appointment	Most recent reappointment date and expiry date of term of office	Other positions held
LEHMANN Gilbert Director Vice Chairman Born on September 28, 1945 Business address: AREVA 33, rue Lafayette 75009 Paris Gilbert LEHMANN has worked in the AREVA Group for 25 years where he is currently an Advisor on the Management Board after holding the position of Deputy CEO.	Co-opted by the Board Meeting of December 13, 2005	Co-opting confirmed: General Shareholders' Meeting of April 27, 2006 called to approve the 2005 financial statements Reappointment: General Shareholders' Meeting of April 25, 2007 for a four-year term Expiry date: General Shareholders' Meeting called to approve the 2010 financial statements	**In non-Group companies** • Director and Chairman of the Board of Directors of SEPI (Switzerland) • Director and Vice Chairman of the Board of Directors of ST Microelectronics N.V. (The Netherlands) • Member of the Supervisory Committee and Audit Committee of Assystem SA • Chairman of the Supervisory Board of Linas: **Offices held and completed over the past five years** In France: • Director of: Framatome ANP; Sofinel; Framatome Connectors International (FCI); Compagnie Technique d'Assurances (CTA); Framapare; CNS; Intercontrôle • Chairman of the Board of Directors of the Compagnie d'Études et de Recherche pour l'Énergie (CERE) Abroad (United States): • Director of Framatome Technologies; FC USA; Canberra
LORENZI Jean-Hervé Director Born on July 24, 1947 Business address: Jean-Hervé LORENZI is a member of the French Economic Analysis Council and an Economics professor at Paris Dauphine University.	General Shareholders' Meeting of May 13, 2009	Expiry date: General Shareholders' Meeting called to approve the 2012 financial statements	**In non-Group companies** • Member of the French Economic Analysis Council • Economics professor at Paris Dauphine University • Advisor on the Management Board of Compagnie financière Edmond de Rothschild **Offices held and completed over the past five years** none
MAPOU Louis Director Born on November 14, 1958 Business address: STCPI Immeuble Carcopino 3000 98845 Nouméa Cedex Louis MAPOU is Chairman of STCPI.	Co-opted by the Board Meeting of March 29, 2001 (Confirmed by the General Shareholders' Meeting of May 30, 2001)	Reappointment: General Shareholders' Meeting of May 21, 2003 and General Shareholders' Meeting of April 25, 2007 for a four-year term Expiry date: General Shareholders' Meeting called to approve the 2010 financial statements	**In non-Group companies** • Chairman of STCPI (New Caledonia) • CEO of Sofinor (New Caledonia) **Offices held and completed over the past five years** • Director of Société Le Nickel-SLN

Surname, forename or company name Main duties Family connection Expertise	Date of first appointment	Most recent reappointment date and expiry date of term of office	Other positions held
ROSSIGNOL Jacques Director Born on February 6, 1940 Business address: c/o ERAMET Tour Maine Montparnasse 33, avenue du Maine 75015 Paris Jacques ROSSIGNOL is the former CEO of Safran and Arianespace.	General Shareholders' Meeting of July 21, 1999	Reappointment: General Shareholders' Meeting of May 21, 2003 and General Shareholders' Meeting of April 25, 2007 for a four-year term Expiry date: General Shareholders' Meeting called to approve the 2010 financial statements	**In non-Group companie** • Former CEO of Safran and Arianespace **Offices held and completed over the past five years** • CEO of CFMI
SOMNOLET Michel Director Born on February 6, 1940 Business address: c/o ERAMET Tour Maine Montparnasse 33, avenue du Maine 75015 Paris Michel SOMNOLET is a former Director and Vice President in charge of Administration and Finance of L'Oréal.	General Shareholders' Meeting of May 21, 2003	Reappointment: General Shareholders' Meeting of April 25, 2007 for a four-year term Expiry date: General Shareholders' Meeting called to approve the 2010 financial statements	**In non-Group companies** • Former Director of Sanofi-Synthélabo • Former Director and Vice President in charge of Administration and Finance of L'Oréal • Director of L'Oréal USA; Perinvest Dividend Equity Fund **Offices held and completed over the past five years** • Director of L'Oréal Morocco
AREVA Director Represented by Frédéric Tona Permanent representative of AREVA on the Board of Directors Born on August 27, 1947 Address: AREVA For the attention of Frédéric Tona 33, rue Lafayette 75009 Paris Frédéric TONA worked in the AREVA Group for 30 years.	Co-opted by the Board Meeting of March 27, 2002	Co-opting confirmed: General Shareholders' Meeting of May 23, 2002 Reappointment: General Shareholders' Meeting of April 25, 2007 for a four-year term Expiry date: General Shareholders' Meeting called to approve the 2010 financial statements	**In non-Group companies** • Chairman of Somaïr (Niger) • Director of OSEAD (SAS) (France), OMM (Morocco), CMT (Morocco), Cominak (Niger), Imouraren (Niger), CFMM (France) and Fondation d'Entreprise AREVA **Offices held and completed over the past five years** • Director of the Mines and Chemistry Division at Cogema, then Director of the Mines, Chemistry and Beneficiation Division at Cogema, then special assistant to the Chairman and CEO of Cogema/AREVA (until January 31, 2005) • Director and Chairman of URAMIN Inc. (BVI) (until December 31, 2008)

Surname, forename or company name Main duties Family connection Expertise	Date of first appointment	Most recent reappointment date and expiry date of term of office	Other positions held
TREUILLE Antoine Director Born on October 7, 1948 Business address: French American Foundation 28 West 44th Street Suite 1420 New York, NY 10036 US Antoine TREUILLE is Executive Managing Director of Altamont Capital Partners LLC.	General Shareholders' Meeting of July 21, 1999	Reappointment: General Shareholders' Meeting of May 21, 2003 and General Shareholders' Meeting of April 25, 2007 for a four-year term Expiry date: General Shareholders' Meeting called to approve the 2010 financial statements	**In non-Group companies** • Chairman of the French American Foundation (US) • Executive Managing Director of: Altamont Capital Partners, LLC (US); Mercantile Capital Partners LLC (US) • Chairman of the Charter Pacific Corporation (US) • Director: Harris Interactive, Inc. (US), Imperial Headwear, Inc. (US) **Offices held and completed over the past five years** • Director of BIC SA (France), Harlem Furniture, LLC (US) until 2009; Skip's Clothing, Inc. until May 2007.
MADELIN Bertrand Deputy CEO (non-Director) Born on September 13, 1954 Business address: Tour Maine Montparnasse 33, avenue du Maine 75015 Paris Bertrand MADELIN is Deputy CEO.	Appointed by the Board Meeting of December 12, 2007		**In Group companies** • Director of Société Le Nickel-SLN • Director of PT Weda Bay Nickel, Strand Minerals (Indonesia) Pte Ltd • Chairman of Eurotungstène **Offices held and completed over the past five years** • Director of ERAMET Norway, ERAMET Marietta, Comilog France, Guanxi Comilog, Guilin Comilog, Comilog Asia, Comilog Far East Development • Chairman of Comilog Italy
VECTEN Philippe Deputy CEO (non-Director) Born on April 22, 1949 Business address: Tour Maine Montparnasse 33, avenue du Maine 75015 Paris Philippe VECTEN is Deputy CEO.	Appointed by the Board Meeting of May 23, 2007		**In Group companies** • Director of Comilog S.A; Comilog US; Société Le Nickel-SLN; Setrag; Maboumine; Tinfos International (until January 2010) • Chairman of ECM and Eralloys Holding AS • Manager of Comilog Holding **Offices held and completed over the past five years** • Deputy CEO of Société Le Nickel-SLN (until March 2005)

No information falling within the scope of Section 14.1 of Appendix 1 of 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 December 31, 2009	Equities	Voting rights
Patrick Buffet	10,010	10,020
Rémy Autebert	100	200
Cyrille Duval	507	813
Édouard Duval	465	729
Georges Duval	1,201	1,802
Patrick Duval	102	152
Pierre Frogier	-	-
Pierre-Noël Giraud	10	20
Gilbert Lehmann	100	200
Jean-Hervé Lorenzi	1	1
Louis Mapou	1	1
Jacques Rossignol	10	20
Michel Somnolet	100	200
Antoine Treuille	160	320
AREVA	6,757,277	13,514,554
Frédéric Tona	100	101
Bertrand Madelin	2,400	2,650
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 Appendix 1 of 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 members of 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 2010 in respect of 2009 amounted to €383,025 (€375,100 in 2008). The total sum allocated to the Board of Directors was set at €550,000 at the General Shareholders' Meeting of April 16, 2008 (Resolution 6), to be distributed freely amongst the Directors by the Board.

The directors' fees for 2009 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.

In addition, €1,525 in travel expenses is paid for each Director living abroad in respect of each Board/Committee Meeting.

The directors' fees paid to ERAMET's directors by other Group companies amounted to an overall total of €66,479 in 2009 (€40,340 in 2008)..

The following table shows how the directors' fees were distributed at the start of 2010 in respect of financial year 2009 (in euros before withholding tax):

	ERAMET	Other companies	**Total 2009**	Total 2008	Total 2007
Rémy Autebert	21,050		**21,050**	16,525	21,575
Patrick Buffet (1)	21,000	36,486	**57,486**	44,580	18,223
Jacques Bacardats	-			-	9,723
Cyrille Duval (1)	21,000	17,000	**38,000**	32,600	19,000
Édouard Duval (1)	21,000	9,993	**30,993**	20,830	20,830
Georges Duval (1)	21,000		**21,000**	19,000	19,000
Patrick Duval	21,000		**21,000**	18,000	18,000
Pierre Frogier (2)	1,000		**1,000**	-	-
Pierre-Noël Giraud	17,000		**17,000**	17,000	14,000
Gilbert Lehmann	31,000		**31,000**	31,000	31,000
Jean-Hervé Lorenzi (3)	10,000		**10,000**		
Louis Mapou	15,525	3,000	**18,525**	22,405	22,405
Harold Martin (4)	10,000		**10,000**	18,050	12,000
Jacques Rossignol	34,000		**34,000**	35,000	33,000
Michel Somnolet	61,250		**61,250**	62,250	58,725
Frédéric Tona	34,000		**34,000**	35,000	33,000
Antoine Treuille	43,200		**43,200**	43,200	38,625
Total	**383,025**	**66,479**	**449,504**	**415,440**	**371,106**

(1) Other remuneration: see Chapter on remuneration of corporate officers below.
(2) Appointed at the Board Meeting of November 26, 2009.
(3) Appointed at the General Shareholders' Meeting of May 13, 2009.
(4) Resigned at the Board Meeting of November 26, 2009.

4.4.2. TOTAL REMUNERATION AND BENEFITS OF CORPORATE OFFICERS AND COMEX MEMBERS

The table below shows the individual breakdown of the gross amount of compensation allocated in 2009 to corporate officers and members of the Group Executive Committee ("Comex"):

SUMMARY TABLE OF THE REMUNERATION AND OPTIONS AND SHARES GRANTED TO EACH CORPORATE OFFICER AND/OR COMEX MEMBERS

	Remuneration due in respect of FY (detailed in table below)		Valuation of bonus shares/options granted during FY			
Euros	2009	2008	2009	2008	**Total 2009**	Total 2008
Patrick Buffet (1)	**1,352,706**	**1,273,116**			**1,352,706**	**1,273,116**
Chairman & CEO						
Georges Duval (1)	**412,670**	**360,913**			**412,670**	**360,913**
Deputy CEO						
Bertrand Madelin (1)	**320,368**	**244,991**			**320,368**	**244,991**
Deputy CEO						
Philippe Vecten (1)	**431,012**	**397,124**			**431,012**	**397,124**
Deputy CEO						
Édouard Duval	**297,238**	**283,712**			**297,238**	**283,712**
Director of ERAMET International						
Cyrille Duval	**254,630**	**237,879**			**223,052**	**237,879**
General Secretary of the Alloys Division						
Total Corporate Officers	**3,068,624**	**2,797,735**	**0**	**0**	**3,068,624**	**2,797,735**
Dominique Franchot (1) (2)	**1,220,943**	**391,029**	**757**		**1,221,700**	**391,029**
Director of Human Resources						
Michel Carnec (1) (3)	**124,307**	**-**	**0**		**124,307**	**-**
Director of Human Resources						
Jean-Didier Dujardin (1)	**390,098**	**352,630**	**757**		**390,855**	**352,630**
Chief Financial Officer						
Catherine Tissot-Colle (1)	**195,876**	**195,099**	**757**		**196,633**	**195,099**
Director of Communications & Sustainable Development						
Total Corporate Officers and Comex	**4,999,848**	**3,756,493**	**2,271**	**0**	**5,002,119**	**3,756,493**

(1) Member of the Comex.
(2) Until November 30, 2009.
(3) Since September 7, 2009.

SUMMARY TABLE OF REMUNERATION OF EACH CORPORATE OFFICER AND/OR COMEX MEMBERS

	Amount due in respect of FY 2009		Amount due in respect of FY 2008	
	Due	Paid	Due	Paid
Patrick Buffet Chairman & CEO				
Fixed remuneration	646,380	646,380	615,600	615,600
Variable remuneration	640,540	604,636	604,636	326,174
Directors' fees	57,486	44,580	44,580	18,223
Benefits in kind [1]	8,300	8,300	8,300	8,300
Total	**1,352,706**	**1,303,896**	**1,273,116**	**968,297**
Georges Duval Deputy CEO				
Fixed remuneration	256,263	256,263	254,917	254,917
Variable remuneration	132,818	84,407	84,407	42,872
Directors' fees	21,000	19,000	19,000	19,000
Benefits in kind [1]	2,589	2,589	2,589	2,589
Total	**412,670**	**362,259**	**360,913**	**319,378**
Bertrand Madelin Deputy CEO				
Fixed remuneration	209,000	209,000	190,000	190,000
Variable remuneration	94,859	49,638	49,638	17,058
Directors' fees	11,979	11,979	1,830	0
Benefits in kind [1]	4,530	4,530	3,523	3,523
Total	**320,368**	**275,147**	**244,991**	**210,581**
Philippe Vecten Deputy CEO				
Fixed remuneration	264,915	264,915	252,300	252,300
Variable remuneration	123,517	112,274	112,274	45,756
Directors' fees	37,000	37,000	28,006	9,020
Benefits in kind [1]	5,580	5,580	4,544	4,544
Total	**431,012**	**419,769**	**397,124**	**311,620**
Édouard Duval Director of ERAMET International				
Fixed remuneration	266,245	266,245	253,567	253,567
Variable remuneration	0	9,315	9,315	7,763
Directors' fees	30,993	30,993	20,830	20,830
Benefits in kind	0	0	0	0
Total	**297,238**	**306,553**	**283,712**	**282,160**
Cyrille Duval General Secretary of the Alloys Division				
Fixed remuneration	182,477	182,477	176,880	189,748
Variable remuneration	31,578	25,824	25,824	0
Directors' fees	38,000	38,000	32,600	19,000
Benefits in kind [1]	2,575	2,575	2,575	2,575
Total	**254,630**	**248,876**	**237,879**	**211,323**
Sub-Total Corporate Officers	**3,068,624**	**2,916,500**	**2,797,735**	**2,303,359**

	Amount due in respect of FY 2009		Amount due in respect of FY 2008	
	Due	Paid	Due	Paid
Dominique Franchot [2] **Director of Human Resources**				
Fixed remuneration	284,794	284,794	275,139	275,139
Variable remuneration [3]	82,867	137,240	73,820	66,079
Exceptional remuneration [4]	823,589	823,589	21,033	21,033
Directors' fees	24,000	24,000	15,430	1,372
Benefits in kind [1]	5,693	5,693	5,607	5,607
Total	**1,220,943**	**1,275,316**	**391,029**	**369,230**
Michel Carnec [5] **Director of Human Resources**				
Fixed remuneration	81,057	81,057		
Variable remuneration	42,000	0		
Directors' fees	0			
Benefits in kind [1]	1,250	1,250		
Total	**124,307**	**82,307**	**-**	**-**
Jean-Didier Dujardin **Chief Financial Officer**				
Fixed remuneration	283,500	283,500	270,000	270,000
Variable remuneration	68,677	55,120	55,120	30,347
Directors' fees	31,993	31,993	22,100	3,615
Benefits in kind [1]	5,928	5,928	5,410	5,410
Total	**390,098**	**376,541**	**352,630**	**309,372**
Catherine Tissot-Colle **Director of Communications & Sustainable Development**				
Fixed remuneration	157,500	157,500	150,000	150,000
Variable remuneration	35,437	38,272	38,272	11,797
Exceptional remuneration			3,888	3,888
Directors' fees	0	0	0	0
Benefits in kind [1]	2,939	2,939	2,939	2,939
Total	**195,876**	**198,711**	**195,099**	**168,624**
Total Corporate Officers and Comex	**4,999,848**	**4,849,375**	**3,736,493**	**3,150,585**

(1) This relates to the provision of a company car.
(2) Until November 30, 2009 when D. Franchot left.
(3) 78% of the 2009 bonus was paid on November 30, 2009.
(4) Benefits related to the retirement of D. Franchot.
(5) Since September 7, 2009.

The top ten earners at ERAMET in respect of 2009 received total remuneration of €4,230,058, as certified by the Statutory Auditors.

No options or bonus shares were granted to corporate officers during the financial year. No bonus shares were made available to any corporate officers during the financial year.

RECORD OF SHARE SUBSCRIPTION OPTION/PURCHASE OPTION/BONUS SHARE GRANTS

Plan	Plan D	Plan G	Plan H	Plan I	Plan J	Plan K
Date of General Shareholders' Meeting	05/27/1998	05/23/2002	05/11/2005	05/11/2005	05/11/2005	05/13/2009
Date of Board of Meeting	12/12/2001	12/15/2004	12/13/2005	04/25/2007	07/23/2007	07/29/2009
Type of plan	Subscription	Subscription	Bonus shares	Bonus shares	Bonus shares	Bonus shares
Number of options at outset	153,000	130,000	14,000	10,000	16,000	73,725
Number of beneficiaries at outset	61	80	90	1	61	14,745
Total number of shares that can be subscribed for/purchased/acquired						
- by the corporate officers at outset, including:	66,000	31,500	3,400	10,000	13,550	0
• Patrick Buffet				10,000		
Number outstanding on 1/1/10	-	-	-	10,000	-	-
• Georges Duval	6,000	6 000	600		600	
Number outstanding on 1/1/10	0	6,000	0		600	-
Bertrand Madelin	2,500	2 000	250	-	150	
Number outstanding on 1/1/10	0	0	0		150	-
• Philippe Vecten	4,000	3,000	150	-	1,000	
Number outstanding on 1/1/10	0	3,000	0		1,000	-
• Édouard Duval	2 500	1 500	100	-	200	
Number outstanding on 1/1/10	0	1,500	0		200	-
• Cyrille Duval	2,500	2,000	100	-	200	
Number outstanding on 1/1/10	0	0	0		200	-
- by top ten employee beneficiaries	30,000	27,000	3,700	0	6,265	50
Start of option exercise period/vesting	12/12/2003	12/15/2006	12/13/2007	04/25/2009	07/23/2009	07/29/2011 07/29/2013
Expiry date	12/11/2009	12/15/2012	-	-	-	-
Subscription or purchase price	32.6	64.63	-	-	-	-
Terms and conditions of exercise	-	-	-	-	-	-
Number of shares subscribed for/ granted on 12/31/2009	142,250	66,631	14,000	10,000	15,830	0
Subscription & purchase options and bonus shares cancelled/lapsed	10,750	19,929	0	0	170	0
Outstanding subscription & purchase options/bonus shares still to vest	0	43,440	0	0	0	73,725

INFORMATION ON SHARE SUBSCRIPTION OPTIONS/PURCHASE OPTIONS/BONUS SHARES (EXCLUDING CORPORATE OFFICERS)

Share subscription & purchase options and bonus shares granted to top ten employees who are non-corporate officer beneficiaries and options exercised by them	Total number of options granted/shares subscribed for or purchased or bonus shares	Weighted average price *(euros)*	Related plan
Bonus shares or share subscription & purchase options granted during FY 2009 by the issuer and by any company within the scope grant to the ten employees of the issuer and any company within this scope, who received the most bonus shares (summary information)	On July 29, 2009, the 2009 Erashare global bonus share plan allocated five bonus shares to all employees of the company and its subsidiaries, i.e. 73,725 bonus shares granted to 14,745 employees. In FY 2009, no other grants were made to non-corporate employees.		
Options vis-à-vis the issuer and the companies referred to above exercised in 2009 by the ten employees of the issuer and these companies who exercised the most options (summary information)	3,750	32.60	D
	12,749	64.63	G
	Total 16,499	57.75	

SUMMARY TABLE FOR EACH EXECUTIVE CORPORATE OFFICER

Corporate Officers	Employment contract	Supplementary pension plan (see details below)	Indemnity or benefits owed or that may be owed as a result of leaving or changing positions (see details below)	Indemnities related to a non-competition clause (see details below)
Patrick Buffet Chairman & CEO Start of term of office: 04/25/07 End of term of office as Director: General Shareholders' Meeting on 2010 financial statements	No	Yes	Yes	No
Georges Duval Deputy CEO Vice Chairman of the Board Start of term of office: 05/23/02 End of term of office as Director: General Shareholders' Meeting on 2010 financial statements	Yes – suspended	Yes	Yes (within the limits of the suspended employment contract)	No
Bertrand Madelin Deputy CEO Start of term of office: 01/01/08 End of term of office: unspecified	Yes – suspended	Yes	Yes (within the limits of the suspended employment contract)	No
Philippe Vecten Deputy CEO Start of term of office: 05/23/07 End of term of office: unspecified	Yes – suspended	Yes	Yes (within the limits of the suspended employment contract)	No
Édouard Duval Director ERAMET International Director Start of term of office: 07/21/99 End of term of office as Director: General Shareholders' Meeting on 2010 financial statements	Yes	Yes	Yes (within the limits of the employment contract)	No
Cyrille Duval General Secretary of the Alloys Division Director Start of term of office: 07/21/99 End of term of office as Director: General Shareholders' Meeting on 2010 financial statements	Yes	No	No	Yes (within the limits of the employment contract)

4.4.2.1. Remuneration structure

Remuneration of corporate officer Comex members is set annually by the Board of Directors based on the recommendation of the Compensation Committee. For non-corporate officer Comex members, remuneration is set by the Group's Chairman & 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 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 annually, on the basis of recommendations from the Compensation Committee, such as for 2009, for example: (i) actual economic performance (Current Operating Profit), (ii) financial performance (net cash position), (iii) the completion *vis-à-vis* the budget and schedule of substantial capital expenditure programmes, major industrial projects or acquisition and development activities, (iv) "managerial" results in terms of team motivation and leadership, project and strategy proposals and goals in the field of health, safety and the environment and industrial risks. Since 2008, the variable portion may not exceed 50% of the gross annual fixed remuneration (100% for the Chairman and CEO). At its meeting of January 20, 2010, the Board of Directors, following recommendations from the Compensation Committee on November 26, 2009, decided that as from 2010, the corporate officers' variable portion cannot exceed 55% of the gross annual fixed remuneration (110% for the Chairman and CEO).

The members of the "Comex" who are not corporate officers also benefited from a collective discretionary profit-sharing scheme. The sums paid under the scheme in 2009, in respect of 2008, individually amounted to €16,638, in line with the legally prescribed ceiling.

Non-corporate-officer Comex members also benefit from the supplementary medical expenses collective insurance scheme and from the supplementary invalidity/death collective insurance scheme offered to all ERAMET Group employees. Pursuant to the decision taken by ERAMET's Board of Directors at its meeting of February 17, 2010, ERAMET's corporate officers also subscribe to both these schemes.

4.4.2.2. Retirement commitments

Corporate officers are eligible for the existing defined benefit supplementary pension plan for ERAMET executives, a plan for which new arrangements came into force from July 1, 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 is determined by taking into account the benefit represented by the supplementary pension plan. Those people who have at least two years' seniority in the company are entitled to join this plan. The retirement plan encourages recipients to refrain from claiming their benefits before the age of 65 as an early retirement factor can significantly reduce the supplementary pension if the person retires at the age of 60. Finally, 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 a full-year basis for the variable portion. The set of arrangements, combined with the overall limitation of 35% of the reference salary, which itself is limited to 25 times the annual social security ceiling [(1)] , provides a very reasonable balance to the whole pension plan.

Based on the latest actuarial calculation, the present value of the estimated portion of the five corporate officers in question and still working as at December 31, 2009 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 2009, with the total amount of commitments being measured under IFRS at €26.2 million.

4.4.2.3. Other commitments

Under his corporate officer contract of April 26, 2007, Patrick Buffet is entitled to a severance payment, the settlement terms of which were brought into line with France's Labour, Employment and Purchasing Power Act of August 21, 2007 by the meeting of the Board of Directors of February 20, 2008, resulting in a new corporate officer contract being adopted by the Board of Directors and signed on February 20, 2008. Consequently, as from January 1, 2009, should the Chairman and CEO leave the company, entitlement to the severance payment 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 April 16, 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.

(1)In 2009, the annual social security ceiling was €34,308.

In the event of a change in control at ERAMET and the termination of an employment contract deemed to be attributable to the employer, a special protection, which is not cumulative with the other applicable protections by way of contract or collective bargaining agreements, was decided in 2005 and implemented. On December 31, 2009, this protection covered 17 Group executives (Messrs Madelin and Vecten, the only corporate officer beneficiaries, primarily non-corporate officer members of the Group Executive Committee and divisional Comex). This protection, which represents an indemnity of three years' remuneration (fixed plus variable) for each beneficiary manager, was estimated at a total of €7.2 million on December 31, 2009. Patrick Buffet does not benefit from this protection.

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.

4.4.3. SPECIAL REPORTS ON OPTIONS SUBSCRIPTION AND BONUS SHARE GRANTS

The Board Meeting of July 23, 2007 updated the regulations governing the bonus share plans requiring corporate officers to retain 20% of their shares for the term of their appointments.

4.4.3.1. Special report on share subscription and purchase options

Financial year 2009

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

A/ OPTIONS GRANTED

No share purchase or subscription options were granted during the 2009 financial year.

B/ 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 2009	Plan D 12/12/01 (number of shares)	Exercise price (euros)	Plan G 12/15/04 (number of shares)	Exercise price (euros)
Corporate officers				
Cyrille Duval	-	-	2,000	64,63
10 exercising the most excluding corporate officers				
C. Thomas	2,000	32.6	1,500	64.63
D. Franchot	-	-	3,000	64.63
A. Robert	-	-	2,249	64.63
V. Trelut	-	-	2,000	64.63
C. Tissot-Colle	-	-	1,500	64.63
P. Lassalle	-	-	1,500	64.63
J.-P. Cescutti	1,000	32.6	-	-
J.I.L. Chassagne	750	32.6	-	-
R. Craig	-	-	500	64.63
J. Baudelet	-	-	500	64.63

The Board of Directors

4.4.3.2. Special report on bonus share grants

Financial year 2009

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.

A/ GRANTS TO CORPORATE OFFICERS

No bonus shares were granted during the 2009 financial year.

B/ GRANTS TO NON-CORPORATE OFFICER EMPLOYEES

On July 29, 2009, the 2009 Erashare global bonus share plan allocated five bonus shares to all employees of the company and its subsidiaries, *i.e.* 73,725 bonus shares granted to 14,745 employees.

In financial year 2009, no other grants were made to non-corporate officer employees, so it is not possible to draw up a list of the ten employees of the company and its subsidiaries receiving the highest number of bonus shares.

The Board of Directors

5

SUSTAINABLE DEVELOPMENT

5.1. Introduction

ERAMET operates with a view to Sustainable Development accompanied by a constant desire for ongoing value creating improvement.

Since July 2002, the Group has had an Environmental Charter and set up a department dedicated exclusively to Environmental and Industrial Risks (EIRD) in June 2003. In early 2007, a new Communications and Sustainable Development Department (DC2D) was set up, headed up by a member of the Executive Committee ("Comex").

2009 marked a new phase. In fact, the Group established a Sustainable Development policy incorporating, putting into perspective, enhancing and supplementing the objectives and initiatives undertaken as part of sectoral policies in the three areas underpinning Sustainable Development, namely labour, environmental and economic.

Its adoption in 2009 formed part of the Group's Environmental Objectives set by the Comex and approved by the Board.

In fact, preparatory work began in H2 2008, with a benchmark study of ERAMET's position compared to its main competitors and *vis-à-vis* other major comparable industrial groups.

This study, carried out with the assistance of PricewaterhouseCoopers, was supplemented in 2008-2009 by a series of some 25 interviews with the Group's main managers on their impressions and expectations concerning Sustainable Development.

A first detailed report was presented to the Management Seminar of September 2008, which brought together the Group's 150 top managers. The process was slowed by the sudden onset of the crisis in Q4 2008 and early 2009, but was confirmed with the setting of objectives for 2009, before achieving its first milestone: the adoption by the Comex of a policy at the end of 2009, its confirmation by the Audit Committee on January 19 and by the Board of Directors on January 20, 2010.

This policy is currently the subject of proposed targets implementing the principles of the 2010 Sustainable Development policy, over 3 years and 5 years.

This Sustainable Development policy aims to allow the ERAMET group to sustainably carry on its business in the places it operates and to support its development in new regions.

The document is built around the four chapters corresponding to the four essential components of our business activities: employees, sites, products and stakeholders.

This Sustainable Development policy, which will be made available on the Group's website, is presented in this chapter.

A plan to disseminate and communicate the policy will be rolled out in 2010.

The policy of ISO 14001 certification of the industrial sites was successfully continued. At the end of 2009, no fewer than five new sites had received ISO 14001 certification.

Site audits concerning Health and Safety also took place during 2009. The new common audit reference framework for health, safety and the environment, which is wholly in line with the ISO 14001 and OHSAS 18001 standards and which was prepared in 2008, was successfully used. The final system includes the lessons learned from Group audits covering energy, insurance and reports from the Group medical staff. It uses a unique system for scoring health, safety and environmental aspects and is applied by means of an "intelligent" reference framework that can function in a modular manner: Environment or Safety or by specific themes. It is built on three cornerstones: employee involvement, operational control and prevention.

Mixed teams of internal Group auditors (central departments and site representatives), trained and certified on the basis of an internal reference framework, run these audits, which are organised in an increasingly integrated manner, so that each site will be 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. A second synergy concerns health aspects where operational and environmental considerations often overlap. In this regard, the Group medical officer takes part in site audits and reports to both the HR and DC2D departments.

These are supplemented by inspections carried out under the insurance programme covering both industrial and environmental risks.

The mapping of stakeholders was one of the Group's other "Environment" objectives in 2009. This mapping is approached not only from the crisis-management point of view, but also from the point of view of dialogue/consultation with stakeholders (institutional players, government departments or regional authorities, local residents, environmental and consumer associations, etc.).

Sustainable Development is taken into account in every Group project. The DC2D department is involved in the development of the Divisions worldwide. The social, economic and environmental improvement programmes, in line with the three cornerstones of Sustainable Development, are carried out together with the other Group Departments. They always seek out the appropriate balance with local people as well as respect for the environment. Thus, by applying the best available technologies to best effect, by carrying out actions to preserve biodiversity and support local development and by performing ethnographic studies to properly understand and consider the ways in which local cultures work, the Group looks to successfully integrate everywhere it operates. In all the regions in which the Group operates, specific programmes are implemented for stakeholders covering information on activities, involvement of elected officials and local authorities, training and education for children and young people and raising awareness of major health and safety concerns, such as AIDS. A summary of specific actions carried out to support local communities is presented in more detail in the sections of the reference document dealing with sustainable development. Likewise, we present a non-exhaustive summary of actions aiming at preserving biodiversity.

ERAMET also wishes to take full responsibility for the products that are either manufactured or used at its facilities. The teams created for the REACH programme (Registration, Evaluation and Authorization of Chemicals) provide a significant demonstration of this. In 2009, REACH activity at the Group level was increased tenfold and applied for the vast majority of actions to be carried out by the three divisional

REACH managers and by corporate departments, including the DC2D. Following the pre-registration procedure for substances completed by the December 1, 2008 deadline (204 pre-registrations for 103 substances and 14 legal entities), the Group is actively preparing to carry out the registrations required before December 2010. Amongst other things, the Group is preparing to take on the role of lead registrant for 6 substances produced in its plants. It is also very active in around 10 consortia to help draw up appropriate chemical safety dossiers to be used in putting together the final dossier. Numerous internal working groups are also active within each division, analysing the sensitivity and possible vulnerability of supply chains or markets in which the Group is positioned, in order to be able to implement the necessary actions.

The growing constraints regarding energy resources and greenhouse gas emissions, taken into account since 2005, have led ERAMET to get ahead of future regulatory requirements by establishing its carbon footprint.

The findings set out in the analysis of environmental data and the examples given attest 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

Placing its actions within a process of ongoing value-creating improvement, the ERAMET group has established a Sustainable Development policy designed to allow it to sustainably carry on its activities in the places where it operates and to support its development in new regions.

The Group rigorously respects the regulations governing its activities and develops performance standards that comply with industry best practice. This policy covers its employees, its customers and stakeholders and includes the control of the industrial, health, labour and environmental risks related to its activities.

Its implementation is based on the dedicated Charters and Policies adopted by the Group, such as the Code of Conduct, the Health and Safety Policy and the Environmental Charter.

I. PROTECT AND DEVELOP ERAMET EMPLOYEES BY INVOLVING THEM IN OUR EFFORTS

1. Preserve the health and safety of our employees

- The employees of the ERAMET group are its primary resource. The Group is committed to continuing initiatives undertaken to reduce the frequency and seriousness of work accidents, totally eliminating fatal accidents and moving towards "zero accidents".
- Action plans are constantly implemented to harmonise safety standards across the Group's various sites and to organise the sharing of best practices.
- The prevention and detection of occupational illnesses is a priority for the ERAMET group's health policy, which also focuses on combating AIDS and certain possible pandemics, as well as various addictions or stress.
- Furthermore, the Group contributes actively to the development of research and scientific knowledge related to the health and environmental impact of its operations.

2. Promote professional development and encourage social dialogue

- We recognise talent and personal merit. We value diversity because it is an important asset for a Group as international and innovative as ERAMET.
- We take care not to practice any discrimination, whether it is based on sex, disability, family situation, age, political opinions, religious convictions, trade-union activity or origin.
- The promotion and development of the skills of employees is one of the key factors in encouraging employee loyalty and developing the attractiveness of ERAMET. The promotion of managerial and technical skills, the development of career opportunities within the Group and the promotion of managerial staff from localities where the Group operates, are all priorities.
- The ERAMET group endeavours to maintain constructive dialogue with employee representatives, who are essential partners in the implementation and application of the sustainable development policy.

3. Involve our employees in Sustainable Development

- Having our employees sign-up to the commitments undertaken by the ERAMET group in matters of Sustainable Development is an essential factor in the success of this initiative.
- The application of the Sustainable Development policy is accompanied by initiatives to educate and train the Group's employees. These focus on the resources available to employees in their respective specialities for contributing to the achievement of the Group's Sustainable Development commitments, and on demonstrating the challenges relating to them.

II. MANAGE OUR RISKS AND OUR IMPACT ON HEALTH AND THE ENVIRONMENT, TO SUSTAINABLY PRESERVE A BALANCE

1. Control the health and environmental impact of industrial processes and of our operating sites

- Aware of the potential impact of mining and metallurgical activities on the environment, the ERAMET group considers that it is its responsibility to act in an exemplary manner by making use of all necessary resources to protect the environment.
- Concerning both its mines and its plants, the Group undertakes to reduce its environmental footprint by continuing the efforts that have been made over the past number of years. This commitment is implemented in its projects and developments from design stage.
- The preservation of water resources, the reduction of harmful air emissions, the protection of biodiversity and the restoration of sites after closure are all priorities requiring everyone across the Group's divisions to play their part.

2. Reducing energy consumption and combating climatic change

- The fight against climate change is a priority for the international community and all companies committed to Sustainable Development.
- The ERAMET group has chosen to improve the energy efficiency of its facilities by setting targets to reduce its emissions of greenhouse gases.

3. Improve the extraction of value from natural resources and develop recycling

- The sustainable extraction of value from mineral deposits is an environmental and economic challenge of primary importance for the ERAMET group.
- The Group is developing techniques designed to allow the exploitation of low-grade ores and prolong the lifespan of natural resources. Lastly, it promotes the use of secondary raw materials from recycling.

III. SEIZE THE OPPORTUNITIES OFFERED BY SUSTAINABLE DEVELOPMENT FOR THE BENEFIT OF OUR CUSTOMERS

1. Include sustainable development in the policy covering innovation and the diversification of the Company's business

- The ERAMET group is continuing its work on innovation and research devoted to the reduction of the environmental impact of its facilities, its manufacturing processes and its products.
- A process of knowledge sharing, capitalising on know-how and developing new partnerships with customers is implemented in order to more systematically exploit these new growth opportunities.
- Business diversification into new products and new applications, and strengthening our presence in certain innovative and sustainable markets also represent other growth drivers for the Group.

2. Promote the environmental benefits associated with the use of our products in our marketing and reduce the risks to humans and the environment associated with the products

- The ERAMET group builds its marketing approach around meeting the demands of its customers for more environmental benefits associated with the use of its products (stainless steel, very high strength alloys, the use of manganese in rechargeable batteries, etc.).
- This process is based on carrying out scientific studies to precisely quantify the environmental impact throughout the life cycle of our products.
- The Group also employs all necessary resources, in terms of traceability and regulatory compliance, to ensure that the use of its products does not harm the health and safety of persons or the environment.

3. Implement a responsible purchasing policy

- The consideration of costs related to the use and disposal of products often leads to a preference for products with more limited environmental impact, that do not represent an additional cost for the purchaser.
- Based on this observation, the ERAMET group is developing a responsible purchasing policy, favouring suppliers offering products or services that are more considerate of environmental and social criteria, while remaining competitive.
- Amongst other things, it checks that its suppliers are in compliance with the requirements of the REACH regulations.

IV. MAINTAIN RELATIONSHIPS OF TRUST WITH OUR STAKEHOLDERS IN ORDER TO CREATE VALUE FOR ALL

1. Better satisfy the expectations of our stakeholders

- In its host regions and countries, the ERAMET group has demonstrated its ability to enter into dialogue and understand the expectations of local stakeholders. It promotes initiatives involving consultation and modernised governance in the various places it operates, to be able to quickly identify the concerns of its stakeholders and appropriately respond to the demands made upon it.
- Such an approach requires the establishment of forms of dialogue that are appropriate to the political and cultural context of the host country.

2. Transparently contributing to the economic and social development of regions by monitoring the good governance of our operations

- The ability of ERAMET to maintain its long-term presence in the host regions and countries, and to develop its activities in new directions, is largely dependent on its ability to demonstrate that its presence provides positive social and economic benefits for its local partners and people living near its facilities.
- As a major player in the economies of numerous regions throughout the world, the Group thus wishes to continue the development of initiatives to support education, prevent health risks and stimulate local entrepreneurship.
- Partnerships with voluntary organisations are encouraged. The Group wishes to constantly improve the governance of its operations, in a spirit of dialogue and respect for its shareholders.

3. Share our challenges and achievements as widely as possible

- The non-financial performance of companies is starting to become a subject of major interest for many types of stakeholders who wish to obtain information concerning how much environmental and social issues are incorporated into company policies.
- To meet these expectations, ERAMET provides ever clearer and more objective information in its external and internal communications covering its past achievements and future plans in matters of sustainable development.
- This information is based on verifiable facts and quantitative indicators to promote a climate of trust between our shareholders, the public and all other stakeholders with an interest in our sustainable development process.

5.3. 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 (both internal and external) 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 component relating to the potential risks and impact stemming from the characteristics and use of its products. Controlled and reasonable management of these risks is one of its priorities.

Encourage ongoing improvement

The Group is continuously looking to improve its environmental performance. This commitment is one of its responsibilities, on a par with ensuring the health and safety of its employees, complying with commercial agreements or identifying optimised technologies at the lowest possible cost.

Factor the environment into every aspect of the Group's activities

This determination to make the environment a part of the Group's activities is demonstrated in every aspect of the company's activities:

- when designing and starting up new activities, projects or capital expenditure programmes;
- throughout the day-to-day operation of facilities;
- when discontinuing activities.

Strictly comply with regulations

Strict compliance with regulations that are applicable to sites is the first guarantee of responsible management of their impact. Any non-compliance must be temporary, justified and notified to the relevant administrative body.

Develop self-knowledge to improve and disclose

Accurate knowledge of our actual impact is a necessity. Knowing how to anticipate and assess both improvements and difficulties is key to the implementation of a policy. Disclosing actual performance is becoming a regulatory requirement. By setting up an Environmental Information System (EIS), the ERAMET group is equipping itself with the resources necessary to achieve its goal.

Anticipate regulatory changes from a sustainable development perspective

The ERAMET group is subject to a series of complex and ever more stringent environmental regulations. We owe it to ourselves to acquire full knowledge of these regulations, anticipate changes to them and act to raise awareness of our situation from a perspective of sustainable development that protects our competitiveness.

Contribute to scientific know-how

Scientific knowledge of the health or environmental impact of our activities is complex and constantly evolving. The ERAMET group helps to further research and knowledge regarding its activities.

5.4. ISO 14001 certification of industrial sites

The significant progress made in recent years with regard to the goal of the gradual introduction of measures along the lines of Environmental Management Systems, provided for in the 2002 Environmental Charter, continued in 2009.

In accordance with the goal set at the beginning of 2007, a timetable for committing sites to the process of ISO 14001 certification was established and followed. Dual OHSAS 18001 and ISO 14001 certification was obtained in 2009 for Aubert & Duval's "Imphy" site and ISO 14001 certification was obtained for Aubert & Duval's "Les Ancizes" and "Issoire" sites, the "Erachem Mexico" site, and for Erasteel's "Tianjin" site. The latter is the first of the Group's Chinese sites to obtain this certification.

Also, all of the sites that are certified ISO 14001 demonstrate their ongoing improvement actions annually during external monitoring audits.

At January 15, 2010, 15 sites were ISO 14001 certified:

- Aubert & Duval Imphy;
- Aubert & Duval Issoire;
- Aubert & Duval Les Ancizes;
- Aubert & Duval Pamiers (and Airforge);
- Erachem Comilog Tertre (copper recycling business);
- Erachem Mexico;
- ERAMET Norway Porsgrunn;
- ERAMET Norway Sauda;
- ERAMET Sandouville;
- Erasteel Commentry;
- Erasteel Tianjin;
- Eurotungstène Grenoble;
- ERAMET Norway Kvinesdal (formerly Tinfos Jernverk);
- ERAMET Titanium & Iron.

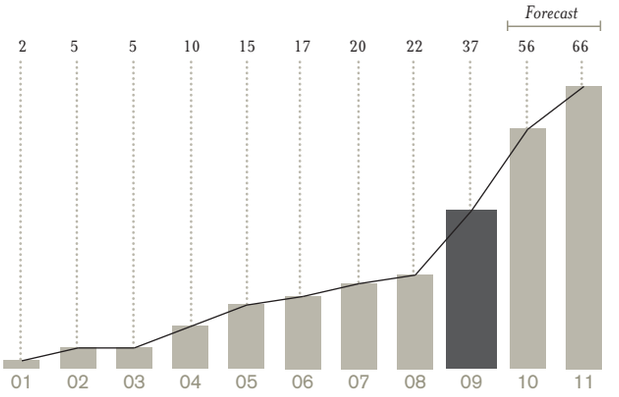
The ISO 14001 process undertaken in the industrial sites is being assiduously pursued. 37% of the Group's sites were accordingly certified in 2009 against 22% in 2008, and this growth should continue, leading to numerous certifications in 2010.

To support and assess the sites in their environmental approach, the Group carries out pre-certification internal audits, as well as monitoring audits of sites in the areas of health, safety and the environment.

To do this, the Group employs a common reference framework, developed in 2008, covering the environment, health and safety at work, fully in line with the ISO 14001 and OHSAS 18001 standards. This reference framework is applied across all industrial sites, whatever their geographical location.

Mixed teams of certified auditors (central departments and site representatives) take part in audits that will be become more and more integrated so that each site is, as in the past, evaluated every two or three years.

PROPORTION OF INDUSTRIAL SITES CERTIFIED ISO 14001 AND 2-YEAR FORECAST (EXCLUDING MINES)



The forecast for new certifications in 2010 and 2011 is drawn up on the basis of commitments made by the sites, which are periodically monitored.

5.5. Environmental data

The significant improvement in environmental indicators, seen over several years, continued in 2009. Nevertheless, the significant reductions seen this year are largely the result of the slowdown in activity. However, upon reading the comments accompanying this report, we see that a range of actions, both technical and operational, were implemented during the year and that they also contribute to controlling the environmental impact.

The 2009 environmental reporting, for the first time, covers all industrial sites within the scope applied by the Group (40 sites), spread over five continents, namely the following sites in China, Norway, Sweden, Gabon, Mexico, the United States, the United Kingdom, Belgium, France and New Caledonia:

Norway	Porsgrunn, Sauda, Tyssedal, Kvinesdal
Sweden	Söderfors, Långshyttan, Vikmanshyttan
Belgium	Tertre
France	Dunkirk, Sandouville, Gennevilliers, Les Ancizes, Issoire (2 sites), Commentry, Imphy, Firminy, Champagnole, Grenoble, Pamiers (2 sites), Trappes, Heyrieux
United Kingdom	Peter Stubs
New Caledonia	Doniambo (mining sites included)
US	Marietta, Baltimore, Freeport, New Johnsonville, Bear, Boonton
Mexico	Tampico
Gabon	Setrag, Moanda (mine included), Owendo
China	Chongzuo, Guilin, Guangxi, Tianjin, Wuxi

The 2009 scope includes the Norwegian sites belonging to Tinfos, which were integrated into the Group in H2 2008. The corresponding environmental results are considered from 2008.

The Chinese sites of Chongzuo, Guilin, Guangxi, Tianjin and Wuxi are also included. In order to provide a comparable basis, the environmental data for the past 3 years for these sites has been included in this report.

The EraGreen environmental information system (ERAMET group Environment Exchange Network) allows the ERAMET group to collect and consolidate key environmental information relating to the industrial sites, thus providing a genuine tool for technical reporting at Group level. The main themes covered are water, air, soil, energy and waste.

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. Including data in the EraGreen format may sometimes generate slight discrepancies with the data previously published.

For the other sites that do not yet use EraGreen, collection of environmental results was performed by conventional IT resources, and aggregated within the Group's scope.

Generally, 2009 was characterised by a significant slowdown in activity. The economic climate led to a significant drop in workload from Q1. On numerous sites, this situation required the management to take measures to reduce production, sometimes accompanied by short-time working.

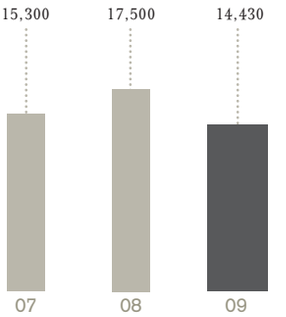
However, in spite of this difficult economic climate, environmental capital expenditure remained substantial. This was particularly the case for the 1 million project at the Ancizes site.

5.5.1. ENERGY

The main energy requirements are due to the pyrometallurgy operations sites. The heat treatment furnaces and the melting facilities, at the heart of the ERAMET group's metallurgy activities in its three Divisions, are the main contributors.

Energy consumption (all energy consumed, including reduction units) for the ERAMET group's sites since 2007 changed as follows:

FIGURE A1: CHANGES IN ENERGY CONSUMPTION (GWH)



Consumption is the result of 3 factors:

- the Group's scope;
- operating levels at the sites;
- the energy performance of the sites.

The increase in energy consumption between 2007 and 2008 is mainly related to the acquisition of Tinfos.

The drop in consumption in 2009 is explained by the reduction in activity related to the economic climate.

In 2009, despite the progress of the "Energy-saving" initiative, the energy performance of the sites deteriorated because of the drop in activity.

However, additional measures were taken to limit this deterioration:

- improving our scale-down modes (priority shutdown of equipment consuming the most energy, maintain heating equipment in standby mode at low temperature during short periods of inactivity, etc.) (Issoire, Tyssedal, etc.);
- carrying out campaigns to raise staff awareness concerning energy-saving (Les Ancizes, etc.);
- bringing forward major planned maintenance operations (Issoire, Grenoble, etc.);
- using energy cost optimisation practices (load curtailment), like for example at Dunkirk.

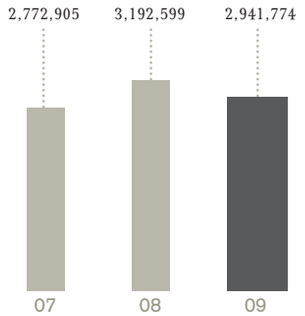
5.5.2. AIR

The Group's air emissions stem from energy demands and the production of ferrous and non-ferrous metal alloys.

As with energy requirements, we observe that it is primarily the pyrometallurgical activities, with their smelting facilities and thermal treatment furnaces, which contribute to air emissions.

The industrial sites are working to improve the quality of emitted air. The restrictions detailed in the operating licences and other prefectural ordinances within France are ever stricter and the supervisory authorities regularly take samples and carry out inspections. In France and in Norway, self-testing, together with regular unannounced checks, monitors the compliance of the site's air emissions. These regulatory checks are nevertheless applied in very different ways from one country to another and sometimes from one establishment to another. Only two industrial sites have been the subject of proceedings (formal notice in relation to the operating licences) with the authorities concerning their air emissions. From this point of view, the estimated rate of compliance in terms of sites not involved in any proceedings in 2009 was 95%.

FIGURE B1: CHANGES IN CO_2 EMISSIONS (IN TONS)



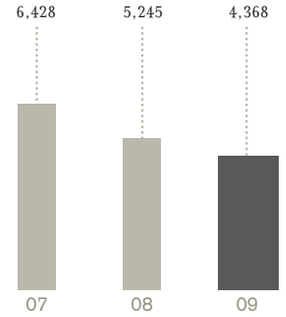
The increase in CO_2 emissions between 2007 and 2008 is mainly related to the acquisition of Tinfos.

The slowdown in activity, related to the economic climate, explains the downward trend in CO_2 emissions reflecting the drop in energy consumption.

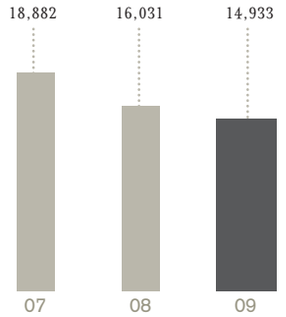
Some progress can be seen regarding renewable energy. Accordingly, at the Chinese Tianjin site and the French Grenoble site solar energy is used to heat the water for the showers.

Generally, the consideration of energy performance is improving within the Group. Accordingly, the results in 2009 do not yet reflect the effort undertaken by the sites in the area of energy. However, the best practices built up in these difficult times provide hope for a clear improvement during the recovery.

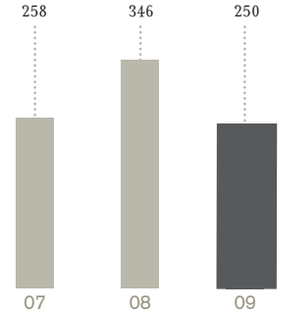
FIGURE B2: CHANGES IN NO_X, SO_X, VOC EMISSIONS (IN TONS)



NO_x - Group



SO_x - Group



VOC - Group

The trend already seen in the reduction in nitrogen oxide (NO_x) and sulphur oxide (SO_x) emissions in the chosen scope continued in 2009.

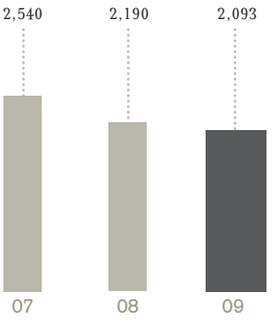
These successive reductions are essentially due to the continuation of the policy of using low-sulphur fuel-oil at Doniambo, which also controlled emissions of SO_2 in the smoke from the power station.

Another contribution to this improvement can be found at Guilin in China, where one of the blast furnaces was shut down and the production of manganese sinter dropped proportionately. During 2007 and 2008, three electrical generators were necessary for running operations. They were supplied by the gases coming from the blast furnace but temporarily required additional fuelling using coal. Following the shutdown of the blast furnace, two electrical generators are sufficient and are supplied by the output gases. Coal is no longer used.

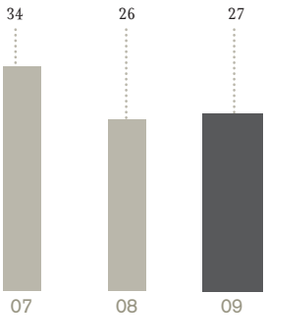
On other sites, such as Commentry, the low level of activity has led to a preference for the use of gas furnaces rather than those running on fuel-oil.

In both these cases, emissions of NOx and of SO_2 were significantly reduced.

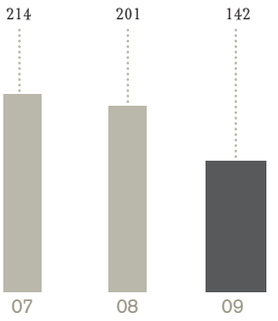
FIGURES B3 TO B6: CHANGES IN AIR EMISSIONS OF NI & MN, OTHER METALS AND TOTAL DUST (IN TONS)



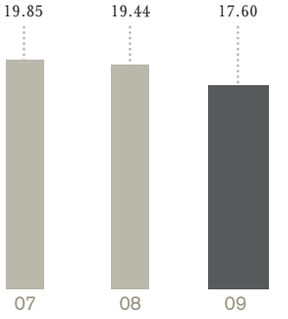
Group
Total dust air emissions



Group
Ni air emissions



Group
Mn air emissions



Group - Total Pb + Hg + Cd + Co + Cr + As + Cu + V + Mo + (t)
Air emissions - Other metals excluding Ni, Mn, Fe

In pyrometallurgy, in most cases, emissions of suspended solids and other metallic dust are generated during materials handling, from the furnaces, from the handling of liquid metal and slag, and from casting and grinding.

In hydrometallurgy, dust emissions most often occur during handling operations, drying or materials transport.

Most of these sensitive operations are subject to capture or filtration systems. Dust-removal facilities are in place and are kept in good working order and sometimes improved.

Air emissions of dust and, more generally, of metals, are again lower.

ERAMET is maintaining its policy of reducing air emissions by carrying out capital expenditure programmes, particularly in dust-removal systems. A series of improvements took place during 2009.

Further improvements took place in the quality of emissions from the Ancizes site through the replacement of two dust-removal units, one for the two slag remelting furnaces and the other for a sandblasting unit.

Doniambo is also taking part in this effort to reduce air emissions through the commissioning of 3 bag filters in the refining unit, on tools that were previously without filtration, and the continued refurbishment of the electrofilters on the calcination furnaces.

A series of improvements has taken place at the sites. For example, the Dunkirk plant has continued reducing dust emissions by installing tubes for "in-use" supply to the furnace to limit loss of fines when loading raw materials, and by optimising the capture system during casting.

Kloster (Söderfors, Långshyttan, Vikmanshyttan) in Sweden has changed the quality of the materials for the bag filters in dust-removal installations, which optimises air emissions at a lower level.

The Issoire site has improved control of forging processes, leading to a reduction in the volume of lubricant used on one of the presses. This results in lower air emissions.

Tampico has achieved its target for reducing dust emissions, which was set at 3% at the beginning of the year.

This work should continue, both by optimising processes and by installing new dust-removal equipment, particularly in certain factories in the US, Europe and New Caledonia.

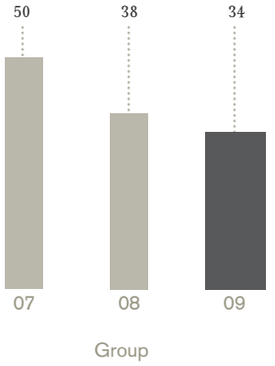
5.5.3. WATER

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;
- Hydrometallurgy processes: solubilisation and reaction environments.

FIGURE C1: CHANGES IN WATER CONSUMPTION (IN MILLIONS OF M^3)



Particular attention has been paid to water consumption. The origin and quantity of consumed water requires careful analysis given the variety of types of water and their various different uses (reaction environment, cooling, etc.,) during industrial operations.

Sometimes, consumption is not directly related to the industrial activity, but results from a service provided to local communities. At Moanda, accidental overflows of reservoirs for supplying drinking water to local urban areas were responsible for a slight increase in consumption in 2009.

Taking into account the scope, which now includes 40 industrial sites, as described in the introduction, we see that the marked downward trend in 2008 continued in 2009. However, water consumption in mining operations is not included in this annual calculation.

Two main policies can be highlighted:

- the understanding and monitoring of consumption through metering and flow-measurement; and,
- the rationalisation of consumption, with a significant focus on internal recycling.

A large part of the water consumed is used for cooling without any "contact" other than physical contact causing an increase in the temperature of the water. When manufacturing ferroalloys, the share of water that is evaporated is also significant when it is used to cool the walls of furnaces or to help cool slag. On some sites, such as Guilin in China, the use of water does not generate discharges and a water supply compensates for evaporation.

The emphasis that is placed on the most accurate and regular metering possible highlights any malfunctions in processes causing accidental water consumption or leaks in the distribution networks on industrial sites. Numerous sites are working to improve the performance of circuits, which are the subject of enhanced maintenance. In some cases, the late detection of leaks on internal networks, such as happened at Champagnole, Chongzuo and Issoire, explains the excess consumption. Each time, after the work of the maintenance departments, preventive actions are established.

Thus, at Sandouville, consumption of drinking water increased in 2008. A leak on the drinking water network was detected through monthly monitoring of consumption. This situation was corrected and consumption dropped very sharply in 2009. Meanwhile, industrial water consumption dropped through joint action between the Manufacturing and Maintenance departments, particularly in relation to the adjustment of pump compression glands.

Even so, the clear drop in water consumption over three years is primarily due to action plans on certain sites. Particular emphasis is placed on any possibility to use water in closed circuits and to improve the reliability of the internal water recycling system. At Pamiers and at New Jonhsonville, the drop in water consumption is significant, greater than the fall-off in activity. This reduction is the result of the continuation of usage rationalisation, emphasising the re-use of water after treatment, together with consumption monitoring and the search for leaks.

Another avenue is the use of rainwater, like at Tampico. This is also the case at Freeport. After it has been collected, part of the rainwater is used in the process to supplement water coming from external sources. At Issoire, searching for and repairing leaks, combined with several other actions to improve reliability, such as scouring the forge, has cut water consumption in half. At Grenoble, research on improving the washing of metallic hydroxides in the filter presses has reduced the quantity of industrial water used at this stage by one third. At Guangxi in China, technical improvements have led to more stable working of the blast furnace, and thus to lower consumption of cooling water.

Other situations are more specific; some market developments have technical consequences for the "water" performance of an industrial site. At Tertre, after several years of significant reduction in the consumption of water collected by capture, the water collected in this way increased at the site in 2009. This situation followed on from the loss of supply of liquid waste used as secondary raw materials in the units manufacturing copper salts and oxides. The other cause, connected with the closure of a customer's manganese sulphate site, is related to the loss of water coming from the recycling of leachates from internal site landfills.

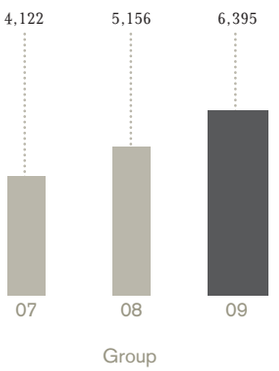
5.5.3.2. Aqueous discharges

As with air emissions, ERAMET has a policy of reducing aqueous discharges as much as possible.

The industrial sites are working to improve the quality of discharged water. In France, self-checks supplemented by unannounced checks are usually performed every quarter. These regulatory checks are nevertheless applied in very different ways from one country to another and sometimes from one establishment to another. Only 3 industrial sites have been the subject of proceedings with the authorities concerning their aqueous discharges. From this point of view, the estimated rate of compliance in terms of number of sites not involved in any proceedings in 2009 was 93%.

Also regarding the sites, it is worthwhile mentioning several actions for separating types of industrial water with similar characteristics so that appropriate treatment can be applied. Such specific management reduces the environmental impact. The Champagnole site thus separates the water from the rolling mill: the cooling water for the cages has been separated from the cooling water for the hydraulic circuits and other exchangers, and is now conveyed to a settling tank.

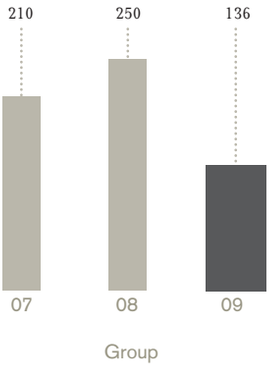
FIGURE C2: CHANGES IN AQUEOUS DISCHARGES OF SUSPENDED SOLIDS (IN TONS)



It should be noted that the suspended solids in the Group's aqueous discharges mainly stem from the waste from Doniambo (slag filtration). The main flow (plant cooling and slag granulation) uses seawater drawn from the port of Nouméa. Heavy rain occurred during 2008 and 2009 in New Caledonia, which resulted in the suspension of matter contained in non-covered circuits, causing an increase in salted out suspended solids.

At Tertre, innovative techniques used in the facilities for processing new types of waste cause a discharge pH that is more alkaline, resulting in uncontrolled precipitation of soluble materials causing discharges with a high level of suspended solids.

FIGURE C3: CHANGES IN AQUEOUS DISCHARGES (CHEMICAL OXYGEN DEMAND) (IN TONS)

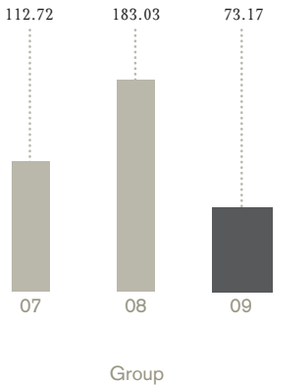


At Pamiers, the COD of aqueous discharges from the site decreased dramatically. This is the result of the commissioning, at the end of 2007, of a project to reduce outfalls (first phase: protection of main discharges) the second phase of which was launched in early 2009 (protection of all discharges). Two separators/scrubbers were installed protecting all discharge points. These separators effectively trap hydrocarbons and suspended solids. Measurement taking during 2009 showed concentrations under the detection threshold.

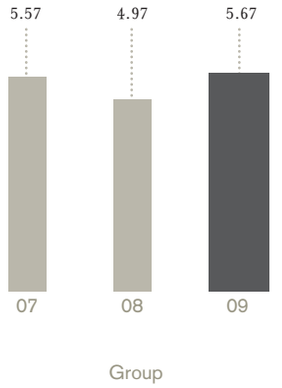
The significant drop in 2009 is also due to the performance of the Guangxi and Doniambo sites.

FIGURES C4 TO C6: CHANGES IN AQUEOUS DISCHARGES (METALS)

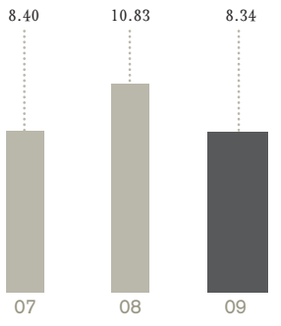
Changes in Mn aqueous discharges (in tons)



Changes in Ni aqueous discharges (in tons)



Changes in aqueous discharges of the main metals other than Ni, Mn, Fe



Group - Total Pb+Hg+Cd+Co+Cr+As+Al+V+Cu+V+Mo (t)

As for the air emissions, the main aqueous discharges of metals presented above for the scope studied are connected with the Group's core activities (Ni and Mn).

For the whole scope studied, when looking at other metals besides nickel and manganese that are subject to specific regulatory monitoring, particularly low levels can be observed. In particular, this is the result of adjustments to the water-treatment processes.

At Tertre, the increase in copper discharges can be explained by the new activities of the recycling unit and several specific incidents. On the other hand, total manganese discharges were reduced thanks to the settling ponds, which retain part of the suspended solids (including the precipitated soluble Mn).

For aqueous discharges of manganese, the increase between 2007 and 2008 was mainly related to the acquisition of Tinfos. Also, the general economic situation in 2009 impacted the trend. Concerning the production of ferro- and silicomanganese, certain furnaces were shut down, but in most cases the furnaces worked at a reduced load and rate.

At Kloster in Sweden, higher than normal levels of chrome were recorded. They were essentially due to contamination when taking samples. Given the low level of production, the other values are much lower than in previous years.

5.5.4. WASTE

Waste management is an area that is constantly evolving.

Although it generates waste, like any industrial activity, ERAMET is working on recycling its waste as part of its processes and on developing its waste recycling business activities, and increasingly its techniques, for use as secondary raw materials.

Accordingly, the activities at Freeport (US) and Tertre (Belgium), in the production of copper and zinc salts and oxides, are focused on the recycling of waste as secondary raw materials.

The Freeport plant thus treats used catalysts with a succession of hydrometallurgical and pyrometallurgical operations to produce vanadium pentoxide, molybdenum trioxide and nickel/cobalt alloys. The used catalysts are supplied by refineries in North America, Europe and Latin America.

At Tertre, Belgium, the company's activities in this sector concern the production of copper and zinc oxides by making use of various waste from the electronics industry (liquids used for etching printed circuits).

The Group's alloy plants, particularly the steelworks, incorporate the use of recycled metals into their processes. Accordingly, most raw materials used at the Commentry site have been recycled, representing 94% of the total used in the furnaces in 2009.

During 2009, the sites at Ancizes, Firminy, Imphy and Commentry looked for ways of extracting value from steelworks slag, refractories and sorting of debris from the casting basin. Trials were carried out which should lead to an external re-cycling of slag in 2010, meaning that it will no longer have to be disposed of in landfill sites.

Likewise, the Dunkirk site has undertaken considerable work looking for ways to recycle its by-products. One of these was the subject of a specific research and development initiative coming under REACH, which was accepted by the ECHA.

Several other synergies designed to recover usable waste are organised between the Group's various sites. This is the case in particular for relevant recycling between the Kloster plant in Sweden, the Boonton plant in the US, and the Champagnole and Commentry plants in France. Other similar situations should be mentioned, including the use of dust removal fines from the Marietta plant in Ohio by Erachem-Comilog in Baltimore, Maryland.

Furthermore, internal and external re-cycling continued in 2009. For example, in the preparation of metal powders, the loads for the furnaces in the powder workshop on the Imphy site contain 60% material that is recycled from internal scrap (powders, solids).

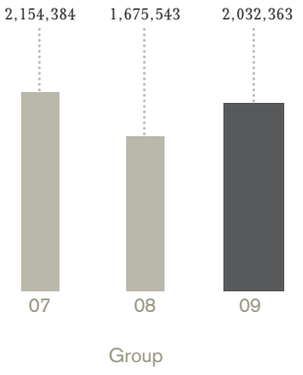
As part of the work to improve waste management, in 2009 the Issoire and Moanda sites established specific and appropriate sites for waste storage (specific disposal unit for waste oil at Issoire and a zone dedicated to the storage of ordinary industrial waste (7 ha) at Moanda.

5.5.4.1. Non-hazardous waste

The concept of hazardous and non-hazardous waste is defined by the European Union in the list published by the European Commission. All the European sites determine the hazardous nature of their waste on the basis of the IPPC regulations. Outside Europe, the hazardous or non-hazardous nature of waste is in line with applicable national regulations.

The steelworks and melting/reduction operations, and the production of ferroalloys, generate more than 80% non-hazardous waste in the form of slag or inert slag usually stored in internal dumps. However, some of it has a commercial value as hard core in the public buildings and works 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.

FIGURE D1: CHANGES IN RECORDED NON-HAZARDOUS WASTE (IN TONS)



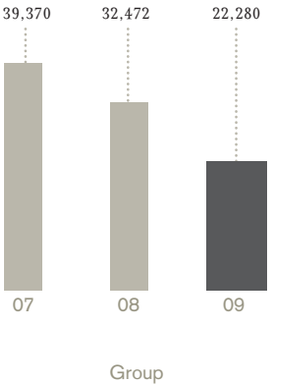
Some examples are the production residue from the Baltimore site, sold for use in the agricultural sector or as inert material for road building. Tampico also recycles the sludge that it produces, in road building.

The Tianjin site recycles its aluminium waste and the Guilin and Guangxi sites recycle their sludge from washing gangue, selling it to brick producers.

5.5.4.2. Hazardous waste

The "chemical" activities of the Group's Manganese Division produce a large volume of production and purification waste. It is important to note that the fact that approved landfill sites handle this waste means that the applicable regulations are complied with on all points.

FIGURE D2: CHANGES IN HAZARDOUS WASTE GENERATED (IN TONS)



In 2009, the reduction in economic activity caused two phenomena in relation to waste:

- the reduction in certain hazardous waste, which was directly proportional to production;
- the general growth in certain hazardous and non-hazardous waste related to numerous "order and cleanliness" or 5S operations (e.g.: decommissioning of furnaces at Firminy, clean-up and scrapping operations, etc.).

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 programme, which helps sites to define their "energy savings" action plans, was launched first 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 Comex annually.

At the end of 2009, 25 sites (out of 27 targeted) had action plans in place. Specific actions had also been implemented, which not only provided substantial savings but also in some instances reduced the environmental impact.

Bearing in mind the significant slowdown in activity at the sites during 2009, and in order to limit the deterioration of these sites' energy performance, additional measures were taken:

- Improving our scale-down modes (priority shutdown of equipment consuming the most energy, maintain heating equipment in standby mode at low temperature during short periods of inactivity, etc.);
- Carrying out campaigns to raise staff awareness concerning energy-saving;
- Bringing forward major planned maintenance operations;
- Using energy cost optimisation practices (load curtailment).

Accordingly, the results in 2009 do not yet reflect the effort undertaken by the sites in the area of energy. However, the best practices built up in these difficult times provide hope for a clear improvement during the recovery.

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;
- 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 OCTOBER 13, 2003, ESTABLISHING A SCHEME FOR GREENHOUSE GAS EMISSION ALLOWANCE TRADING WITHIN THE COMMUNITY

The sites affected are the four steelworks in the Alloys Division:

- Aubert & Duval: sites at Firminy (42) and Ancizes (63);
- Erasteel: sites at Commentry (03) and Söderfors (Sweden).

5.7.1.1. First period: 2005-2007 (reminder)

- Cumulative allowance for the four sites over the period (3 years) = **308,707 allowances**
- Cumulative CO_2 emissions = **289,230 tons of CO_2**
- Representing a surplus of **19,377 allowances for the period.**

5.7.1.2. Second period: 2008-2012

- annual allowances for the four sites = **137,452 allowances;**
- 2008 emissions for the four sites = **95,478 tons of CO_2;**
- representing a **surplus of 41,767 allowances** for the first year;
- 2009 emissions for the four sites = **66,132 tons of CO_2;**
- representing a **surplus of 71,113 allowances** for the second year.

Because of the current low activity of the sites in question, 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.**

5.7.2. DIRECTIVE 2009/29/EC AMENDING DIRECTIVE 2003/87/EC SO AS TO IMPROVE AND EXTEND THE GREENHOUSE GAS EMISSION ALLOWANCE TRADING SCHEME OF THE COMMUNITY

Through professional bodies, the Group has taken an active part in discussions between the industry and the European authorities (Commission, Parliament and Council).

The extension of the emission allowances trading scheme will impact the Group, with, in addition to the 3 French steelworks already included under the original Directive (see above), the European manganese alloy production sites (ferromanganese and silicomanganese) also being included in the scheme, meaning Comilog Dunkirk and ERAMET Norway: Porsgrunn, Sauda and Kvinesdal (Norway, although it is not part of the European Union, will take part in the new scheme).

A threshold of 25,000 tons of CO_2 *per annum* is being introduced, under which an installation may be excluded from the scheme. The Erasteel Söderfors site, with emissions of about 3,000 tons annually, should therefore no longer be subject to the allowance Directive. On the other hand, there is a doubt regarding the Aubert and Duval Pamiers site, where emissions are close to the threshold during "normal" operating periods.

The Group's total emissions thus 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 (2013-2020).

Participation in European Commission DG ENTR surveys made it possible to place our activities among the sectors at "risk of carbon leakage". This will allow our facilities to obtain free allowances instead of having to purchase them at auction (at a projected auction price of between €30 and €50 per allowance, the amount at stake for the Group is between €30-€50 million *per annum*).

Calculation of the number of free allowances will be on the basis of the general formula:

Free allowances
=
specific emissions (according to benchmark)
x
historical production volume (2007-2008?)
x
annual reduction factor for allocations (1.74%)
x
overall correction factor

For each sector, the benchmark will be determined on the basis of specific emissions of the 10% most efficient facilities in the sector.

The overall correction factor will be adjusted by the Commission to ensure that the total of emissions for the industry is under the reduction targets defined in the "climate energy package".

5.7.2.1. Steelworks

This work was carried out together with Eurofer to determine a benchmark for the production of steel in electric furnaces, solely on the "steelworks" part. The other site facilities (rolling, forge, etc.,) should come under the benchmark for combustion facilities. Work is ongoing in order to finalise calculations by the end of Q1 2010.

5.7.2.2. Facilities for the production of manganese alloys

Similar work has been done within the Group and with EuroAlliages.

Too few facilities of this type exist within the European Community to allow a benchmark to be determined. Discussions are therefore taking place with the Commission to replace the reference to benchmarks on specific emissions in the above formula with calculations related to chemistry (stoichiometry) and additional emissions generated by the actual processes.

5.8. Group carbon footprint

At its December 10, 2007 meeting, the Comex approved the establishment of a **"Bilan Carbone®"** (carbon footprint) for the whole Group, using the method proposed by the ADEME.

The primary goal of a carbon footprint 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 footprint brings to light "physical" dependencies that may not be obvious in a purely economic analysis, but which nevertheless cause constraints over the long term.

ERAMET's carbon footprint was developed in cooperation with Carbone 4, a company whose methodology is approved by the ADEME, 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, the Group's carbon footprint is about **5.5 million tons CO_2 equivalent**, broken down as follows:

- **65% for the Manganese Division;**
- **28% for the Nickel Division;**
- **5% for Aubert & Duval;**
- **2% for Erasteel.**

Most of the emissions (84%) are generated by the "energy" item, which combines the consumption of energy (electricity, gas, fuel-oil and coal) and the consumption of the reducing agent required in the process (Coke, coal, anthracite, etc.).

10% is related to freight and 4% to "inputs" (emissions that were necessary to produce the raw materials that were purchased (*e.g.:* scrap for steelworks arc furnaces).

5.9. Major projects

The environmental, labour and health aspects are taken into account very early in the life of ERAMET's major projects, with the aim of sustainable and harmonious development in accordance with its Sustainable Development policy, with its Code of Conduct and environmental, health and safety charters.

In all major projects, teams of 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.

The environmental control and corporate bodies binding the Group form an integral part of the investment process. Great attention is given to the technical, scientific and regulatory support required to produce dossiers and studies assessing environmental impact, social impact or health risks in a complex, changing and highly specialised international legislative environment.

ERAMET's major projects include the project for the new power plant in New Caledonia, the Weda Bay Greenfield project, the new plant at Guilin, the new UKAD entity, the Maboumine project, the new industrial projects, and the optimisation of processes or planned M&As requiring due-diligence checks.

At the same time, when they arise, the discontinuation of operations or asset disposals are managed in the same way as major projects and factor in environmental aspects well in advance.

5.9.1. WEDA BAY GREENFIELD PROJECT

For the Weda Bay project, which was acquired by ERAMET in 2006 and which represents one of the most attractive deposits of Ni not yet exploited in Indonesia, the Group has endeavoured since 2008 to update the surveys on the initial state of the environment. ERAMET also complies with the 10 guiding principles of the World Bank and the 8 criteria of the International Finance Corporation, the best practices developed within the Group and Indonesian regulations to develop a project that is socially and environmentally sustainable. Thus, in 2009, ERAMET intensified additional surveys to establish the initial state (water, air, soil, sub-soil, biodiversity, fauna, flora, etc.), together with social and societal studies, and is supporting development initiatives for local communities. For its project, ERAMET is setting out to:

- assess the level of environmental and social impact in order to ensure effective management and avoid, reduce or mitigate the impact on people and the environment;
- assess risks and opportunities;
- define an appropriate commitment to local communities through information sharing and consultation on issues that are likely to affect them;
- promote safe and healthy working conditions and protect and promote health;
- 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;
- protect and conserve biodiversity, favouring the sustainable development of natural resources, incorporating requirements regarding conservation and development priorities.

The Group has thus initiated with local authorities and local communities the process of acquiring farmland, interviewed people and the political leaders of villages on their perception of the project and their expectations, has enquired about their cultural heritage and developed an ethnographical survey of a nomadic population present on the concession. Furthermore, ERAMET continues to support local communities in various sectors, such as education, health, agriculture or fishing.

This project involves the operation of a Ni and Co mine, as well as a limestone quarry, the creation of a hydrometallurgy complex and a deep water port.

ERAMET Research has taken advantage of its experience in nickel hydrometallurgy, which began in the 1970s at the Sandouville site, to develop an innovative and reliable technique that has the following benefits:

- process at atmospheric pressure and at a relatively low-temperature (100°C);
- combined treatment of laterites and saprolites (recovery of all ore);
- a technique that is almost self-sufficient in energy: limited consumption of fuel oil (intake);
- environmentally-friendly technique: very low emissions of CO_2 (10 tCO_2/tNi), generating controlled effluent and waste.

5.9.2. PLANT PROJECTS IN GABON

This is a new metallurgical complex for the on-site processing of ore, the foundation stone for which was laid in April 2009 in the presence of the late President Omar BONGO, which will be established at Moanda in Gabon, near Comilog's current operations. These facilities will consist of a pyrometallurgical silicomanganese production unit and a hydrometallurgical metallic manganese production unit.

The Group has begun a survey on the environmental impact, in accordance with Gabonese and French legislation, for the phases covering construction, operation and cessation of activities for the planned complex. The best technologies developed in the Group will be selected for use in this project.

5.9.3. THE PLANT PROJECT IN NEW GUILIN

The Manganese Division plans 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 experts to draw up a high-performance industrial project, while controlling the impact and risks.

This industrial complex will include 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 will be selected for use at Guilin.

5.9.4. THE UKAD PROJECT

The Aubert & Duval subsidiary has formed a partnership with the Kazakh Group UKTMP to set up an industrial project known as "UKAD". The new forging and conversion unit will produce semi-finished products in the form of titanium billets and bars for the aerospace industry and will be located in Central France near the current 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 application for an operating licence was filed with the authorities in October 2009, selecting the best available technologies described in the appropriate reference documents.

5.9.5. MABOUMINE

ERAMET and its Comilog subsidiary 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 worthwhile resources of niobium, tantalum, rare earths and uranium. In cooperation with AREVA, ERAMET is working on finalising a process to recover these resources.

5.9.6. DEVELOPMENT OF EXISTING PROCESSES

ERAMET also endeavours to develop its facilities. Even during a period of economic crisis, several sites were able to carry out significant capital expenditure in controlling 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 ongoing programme to upgrade facilities will continue in 2010. At Comilog Guangxi and Dunkirk, the systems for smoke capture on casting have been refurbished, while at Setrag in Gabon, systems for capturing and collecting liquid polluting residues have been optimised. At numerous sites, work has begun to rationalise water consumption and bring on stream closed loops. At SLN, an ambitious programme to refurbish electrofilters, and install a capture system on non-equipped workshops, has been maintained.

5.9.7. POWER PLANT IN NEW CALEDONIA

Construction of a new power plant in New Caledonia is under consideration. It would replace the current fuel-oil fired power station. Several technologies considered are currently subject to comparative analyses, the new power plant having to meet the evolution of environmental requirements. The decision on this investment should be made after all studies (including financial studies) have been finalised at the end of 2011 or at the beginning of 2012.

5.10. Responsibility for chemical products

5.10.1. REACH AND THE GROUP

ERAMET cross-company REACH teams made it possible to complete the first stage of this complex project in 2008. For reference, the complete and complex inventorying of substances enabled their timely pre-registration before November 30, 2008 (204 pre-registrations for 103 identified substances and 14 legal entities).

For reference, REACH obliges industrial operators to assess all the chemical substances produced in or imported into the European Union. Metals and their compounds fall within the scope of REACH. Their impact on health and the environment must also be assessed with regard to each of their uses. Consortia allow producers of the same substance to perform all their studies and tests together. They continued their work in 2009. Because of the diversity of its activities, ERAMET has currently signed up to 10 consortia and is considering requesting a letter of access to the dossiers of 7 others.

The REACH programme was continued diligently during 2009. In each of the Group's three divisions, the REACH managers ensured that appropriate progress was made on a range of actions, both internally and within the consortia. The Communications and Sustainable Development Department (DC2D) ensured the coherence of the process by regularly organising steering committee meetings. Around the three REACH managers, work involved numerous Group teams, establishing a multidisciplinary network: buyers and salespeople, plant representatives, R&D, logisticians, lawyers, IT experts, etc.

REACH also organises a procedure for the authorisation of substances of very high concern, the purpose of which is their gradual substitution by 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. Beginning in 2008, the selection process continued throughout 2009. ERAMET took part in two consultations initiated by the French authorities upstream of their own selection, supplying data permitting classification of a substance as "of very high concern", and, where appropriate, preparing identification dossiers therefore ("Appendix XV" dossiers). 2009 also saw the publication of the first draft list of substances to be submitted as a priority for authorisation. This project does not include any substances produced by the Group.

In 2009, the key events were, chronologically, as follows:

5.10.1.1. For the Manganese Division

Various documents necessary for the proper application of the REACH regulations were finalised, before subsequently being applied:

- "Only Representative" (OR) contracts between Erachem Comilog SA and the non-European and exporting legal entities within the division, in this case Comilog Gabon, Erachem Comilog Inc in the US and Guangxi ERAMET Comilog Chemicals Company Ltd in China;
- General Terms and Conditions of Purchase and Sale reviewed and released to our suppliers and customers;
- various letters giving information to our suppliers concerning the specific use of their substances approved within the division;
- various letters giving information to our agents and customers to inform them of the pre-registrations carried out by the division and of the various uses that will be mentioned in our registration dossiers.

In consultation with the manganese consortium, ERAMET, through Erachem Comilog SA, was given the role of Lead Registrant (LR) for four substances, namely manganese sulphate ($MnSO_4$), manganese dinitrate ($Mn(NO_3)_2$), manganese carbonate ($MnCO_3$) and trimanganese tetroxide (Mn_3O_4). A corresponding contract ring-fencing the responsibilities of Erachem Comilog SA as Lead Registrant was prepared and sent to the various relevant members of the Substance Information Exchange Forum (SIEF).

Following analysis with Comilog Dunkerque SNC, a "Process and Product Oriented Research and Development" (PPORD) dossier was sent to ECHA (European Chemicals Agency) to allow – together with customer partners on the project – the technical development and economic use of a manganiferous substance coming from the treatment of fumes from the production of silicomanganese. This notice was accepted by the ECHA and the corresponding substance duly registered. This means that pending the tangible results of this development, this procedure gives Comilog Dunkirk marketing authorisation for a period of 5 years.

Lastly, to limit the number of registration dossiers – and hence the corresponding cost for the division – the substance inventory was continually reviewed and optimised. The incorporation of the sites belonging to Tinfos, namely ERAMET Norway Kvinesdal (formerly Tinfos Jenverk AS) and ERAMET Titanium & Iron AS, forms part of this process, which should be continued in 2010 following the announcement by the division of the acquisition of Valdi.

5.10.1.2. For the Nickel Division

Much work has been done in understanding the functioning of markets and to provide very early communication with the upstream and downstream channels regarding the marketing of our products. All substance uses have been catalogued by numerous surveys conducted with customers. The exposure scenarios that are being prepared by the various consortia should consider all of the uses that were catalogued.

At the same time, work is continuing on the scientific and technical studies required to draw up the chemical safety dossiers that form part of the registration dossiers.

Lastly, as for the other divisions, the General Terms and Conditions of Purchase and Sale were updated and released respectively to our suppliers and customers.

In consultation with the nickel and tungsten consortia and the corresponding SIEF, ERAMET – *via* ERAMET SA and Eurotungstène Poudres – was chosen as the Lead Registrant (LR) for two substances, namely nickel chloride ($NiCl_2$), and fused tungsten carbide (WC).

The exposure scenarios "Production of nickel hydroxide" and "Production of nickel hydroxide" were prepared using the ERAMET Sandouville plant as benchmark.

Work involving the search for additional data (commercial flows, detailed description of the various uses and processes, etc.,) and the analysis of certain regulatory concepts, was also carried out concerning certain nickel and cobalt salts, under the consultation procedure initiated by the French authorities in order to identify substances of very high concern.

Lastly, compliance with strict regulatory conditions for meeting the definition of "intermediary" was checked and the interpretation of this status discussed in close cooperation with the European non-ferrous metals associations and the ECHA (European Chemicals Agency). This specific status, applied to certain chemical substances, allows simplified registration documents to be produced and reduces the cost of the registration fee to be paid to the European Chemicals Agency.

5.10.1.3. For the Alloys Division

The Titanium Consortium was launched at the end of 2009 thanks to the sustained initiative of Aubert & Duval. This initiative resulted in the signing, in October 2009, of a consortium contract by the main worldwide players in the Titanium Industry in the European market.

The Group has joined the Iron Platform, a consortium which is preparing the "iron" dossier, which will be essential for the registration of, amongst others, the ferro-alloys from the Nickel and Manganese Divisions and the cast iron produced by ERAMET Titanium & Iron AS.

The Alloys Division is very heavily involved in the Eurofer Clusters for the collection of environmental and workplace exposure data. The data was communicated *via* Eurofer to the main metals consortia, Nickel, Chrome, Molybdenum, Cobalt, Vanadium and Manganese, thereby contributing to the preparation of the REACH registration dossiers for the main suppliers of the Alloys Division.

The Division has also joined RFSC, a consortium covering steelworks slag, so that it can register these products and retain the option of marketing recycled slag, reducing landfill disposal.

The uses to which strategic products are put in the processes were the subject of major communication campaigns with suppliers so that they could be included in the REACH registration dossiers.

Lastly, the General Terms and Conditions of Purchase and Sale were reviewed with ERAMET's Legal Department and included in contractual documents. Analyses of the customs status of certain activities and the structure of the purchasing network led to an in-depth consideration of the Division's purchasing strategy.

5.10.1.4. At Group level

Regulatory monitoring covering REACH and its related developments has been set up to ensure the defence and inclusion of certain specific characteristics of substances used or produced in the Group.

In addition to its active participation in two consultation processes, which were launched in spring and winter 2009 by the French authorities as part of the process of identifying substances of very high concern, the Group has also actively participated in discussions within the consortia and the European federations regarding the selection criteria and the conditions for prioritisation, which are key concepts in the regulatory approval process.

In this respect, the Group was invited, together with another European group, to represent the non-ferrous metals sector at the second Stakeholders' Meeting organised by the ECHA in Helsinki in May 2009.

Finally, the Group participates regularly in meetings of the two 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. SIGNIFICANT 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 Health, Safety and Environment Committee (HSE) ;
- head of institutional relationships, Chairwoman of the FEDEM's Health, Safety and Environment committee (HSE) and member of the Eurométaux HSE policy committee;
- ERAMET was behind the establishment of the IEHP ("Industry, Environment and Health Panel") in 2007, as part of the global nickel industry association (Nickel Institute), and chairs the technical group of the Ni consortium;
- the Commercial Director of the Manganese Division, Chairman of the Steering Committee of the Manganese consortium and member of the Boards of Euroalliages and IMnI;
- the Manager of the Alloys Division, member of the Board of the FFA.

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 preparation and completion of the dossier on the risk assessment of five nickel substances leading the European authorities to regard the dossier (health and environment) as a reference in terms of content and quality. This dossier was submitted to the European Union and ratified in October 2008 by the OECD (Organisation for Economic Cooperation and Development). With this dossier and its dynamic participation in the activities of Eurométaux, ERAMET also contributed to the preparation of new methodologies for the assessment of the impact of metals on the environment and on health (HERAG & MERAG).

A scientific seminar on these methodologies was organised jointly by ERAMET, the Nickel Institute and FEDEM (Federation of ores, industrial minerals and non-ferrous metals) on September 14 and 15, 2009 in Paris. This strengthened existing contacts with French experts in these fields and led to the creation of new partnerships with them.

ERAMET also plays a key role with regard to manganese and contributes to the development of scientific knowledge. The Group has thus helped to manage a US research programme called the MHRP (Manganese Health Research Programme) participating, in close cooperation with the International Manganese Institute (IMnI), on the steering committee. This programme was successfully concluded in 2009 with the organisation of a symposium in Washington, at which a series of scientific advances were presented.

5.10.4. REGULATORY CHANGES

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 IPPC European directive;
- the preparation and update of the European document on the best available techniques for the non-ferrous metals industry. In this regard, a visit to the Sandouville site was made in 2008 by the European and French authorities, leading the latter to be catalogued in connection with nickel hydrometallurgy processes. The Norwegian sites are catalogued in connection with technologies for reducing metal air emissions. The new nickel hydrometallurgical process is also catalogued there under ongoing developments;
- the new regulations such as the GHS (Global Harmonised System), new regulations on the classification and labelling of hazardous products;
- revision 3 of the Seveso Directive;
- the transposition, into French law, of Directive 2006/21/EC on the storage of waste from extracting industries;
- 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 *vis-à-vis* 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 as best possible the expectations of the surrounding communities and the social challenges of the countries in which it operates. These measures require both a long-term view, vital to the success of these programmes, and innovation in the way the projects are to be implemented and selected. In 2009, despite the slowdown in activity at the sites because of the crisis, the Group maintained its commitment to local communities.

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.

In Gabon, Comilog thus makes nursery and primary schooling available to employees' children and pays 80% of the fees of the Henri-Sylvoz secondary school in Moanda which has 400 pupils all years combined.

In New Caledonia, in 2009 SLN continued its efforts for New Caledonian young people. In fact, SLN provides ongoing financial support for several programmes including:

- "Juvénat Jules Garnier" (since 2003, its annual aid has amounted to 2.7 million CFP francs – i.e. €22,600) the goal of which is to fight against academic failure, 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);
- a priority education agreement with the Institut d'Études Politiques in Paris initiated by the High Commissioner in order to help young people from New Caledonia to join this prestigious school (financial support of around 2.1 million CFP);
- the Centre de Formation aux Techniques Minières et de Conduites (CFTMC) at Poro on the east coast which, each year, trains 18 students for careers in maintenance and 80 in the operation of mining machinery.

The SLN is also active in dual apprenticeship. It provides support to 4 young apprentices in working towards a Professional Aptitude Certificate in the maintenance trades.

In 2009 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 Region by favouring the accession of local people to positions of responsibility after a training course in mainland France. In 2009, 5 of the SLN's staff returned to the region, 4 of them having obtained a higher technician's licence or a technical degree, and the fifth having obtained a geological engineering degree. In 2010, two employees are scheduled to begin a 3-year curriculum leading to an engineering degree, and two others 1 and 2 year courses leading to a professional masters' degree.

Together with the careers office at the University of New Caledonia, 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 2009, SLN took part in the first "Careers Campus" day, which offered first-year students seminars and meetings with professionals in the region's various economic sectors.

In Indonesia, Weda Bay Nickel (WBN), the Group's subsidiary in charge of the large mining and metallurgical project on the island of Halmahera, gave educational support to schools (primary schools, secondary schools and high schools) in 15 neighbouring villages: purchase of books, laboratory kits, computers, etc. In 2009, WBN also established a training programme for 50 teachers in these schools, financed 22 new scholarships to allow the best students to continue their academic or vocational studies on neighbouring islands, and contributed to the acquisition of new equipment for the Mines Faculty on Ternate (one of the neighbouring islands). WBN also provided material support to a vocational high school specialising in mining, which recently opened near the site of the future plant.

The total budget devoted to education was US$300,000

In Europe and in Metropolitan France in particular, partnerships with primary and secondary schools are also being established. The Sandouville facility, in cooperation with the Schuman secondary school in Le Havre, introduced a Passeport Jeunes Chimie Sécurité in 2006, intended for technical school certificate pupils. This raising of awareness of the organisation and operation of a chemicals company takes place over 6 days spread throughout the academic year, includes presentations and practical exercises and ends with day release for pupils attended by the site Human Resources and Communications Manager and a former employee involved in the programme. ERAMET Sandouville is also continuing to provide financial support for AFPI *(Association de formation professionnelle de l'industrie)* in the Le Havre Region, which has some 200 trainees *per annum* and also provides ongoing training.

For its part, in 2009, the Aubert & Duval establishment at Firminy increased the opportunities for meetings and discussions with young secondary-school and high-school students: participation in the careers forum at Saint-Didier in Velay for young people receiving career guidance; organisation of visits for students of the AFEP (industrial automation and mechanical engineering) and students in the industrial automation section at the Yssingeaux high school; and participation in the "Bravo l'industrie" campaign organised by Union des industries et des métiers de la métallurgie (UIMM) in the Loire region. This campaign, which aims to provide information on the career opportunities available within the industry from secondary school onwards, provides for a tangible project to be carried out by volunteer students supported by their teachers and advised by employees of the partner company. In this context, A&D Firminy signed a partnership with the "Les Bruneaux" secondary school at Firminy to put the case in favour of careers in metallurgy. The work of these pupils was rewarded with one of the "Bravo l'industrie" 1st prizes presented during project day that took place on May 28, 2009 at the "Cité des entreprises" at Saint-Étienne.

5.11.3. SUPPORT FOR AND SHARING IN LOCAL ECONOMIC, CULTURAL, SPORTING OR ENVIRONMENTAL INITIATIVES

In 2009, SLN continued its active sponsorship policy in order to further its integration into the New Caledonian community with a view to sustainable development. For the ninth consecutive year, it thus renewed its partnership with ADIE (association to promote economic initiatives), which offers micro-loans to persons excluded from the labour market and the banking system and living near the SLN and Doniambo mining sites. With this financial support, SLN contributes to the creation of local employment, particularly around its mining sites.

Despite the crisis, in 2009 SLN also organised the 17th "Nickels de l'initiative" event, an annual sponsorship programme created in 1992 to support sporting, cultural, environmental, scientific or solidarity projects placing particular emphasis on a spirit of initiative. Over the past 17 years, this sponsorship programme has meant providing a total of 67 million CFP – i.e. €561,460 – to support around 180 graduates.

The Group's other sites also play their part. Several sites in mainland France provide their support to local cultural life. The Aubert & Duval site at Pamiers-Airforge thus supported three events in 2009. A concert was organised within the Airforge plant as part of the music festival in the birthplace of Gabriel Fauré, the "Canal de Pamiers" festival organised by the "Canal en fête" association and the « Appaméennes du livre ».

The Aubert & Duval site at Ancizes also supported the organisation of two cultural events in 2009, the Bach Festival at Combrailles and the "100th anniversary of the Viaduc des Fades". For its part, Erachem-Comilog at Tertre in Belgium sponsors the international folk dance festival at Saint-Ghislain and the Hautrage festival.

Several sites in France and in the United States, including the Aubert & Duval site at Gennevilliers and the Bear Metallurgical Company site, take part in collecting recyclable or reusable objects such as mobile telephones, spectacles, ink cartridges, paper and cans, on behalf of a range of charitable associations. The Aubert & Duval site at Firminy, in France, and the Erachem-Comilog site in Belgium also employs companies offering sheltered employment for various services, such as the recovery of certain used consumables (ink cartridges from printers and photocopiers) or for cleaning work clothing, thereby contributing to facilitating the hiring of the disabled.

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 (the "Raid Sillon Vert" trek in New Caledonia). Many of them also support local charities such as the local branches of the Red Cross (ERAMET Norway Eralloys Tyssedal in Norway).

5.11.4. CONSIDERED SUPPORT FOR THE ECONOMIC DEVELOPMENT OF COMMUNITIES WHEN RECONVERTING SITES OR UNDERTAKING PROJECTS

In Gabon, Sodepal (Société d'Exploitation du Parc de la Lékédi), a Comilog subsidiary, has for 15 years been managing Parc de la Lékédi, covering 14,000 hectares of savannah and forest in Haut-Ogooué, 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 2,500 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 120 tons per annum. Since 2008, the farming techniques have incorporated sustainable development concerns by abandoning fish meal in favour of 100% plant food. This farming offers a growing source of animal protein for the population of Bakoumba and for the entire province more generally. Market gardening and fruit production are also developing. The company, which is the only economic operator in the Department of Lékoko, is very involved in local development, also producing drinking water and electricity for the entire municipality of Bakoumba. Moreover, as part of the safeguarding of Gabonese cultural heritage, Sodepal supports one of the last traditional potters in Gabon as well as local basket makers and is making the most of the archaeological remains at Parc de la Lékédi (paleo-metallurgy site of Magnima).

In Indonesia, well before the construction phase, WBN created a Local Development Support (LDS) Department to carry out economic-development support programmes for the 15 neighbouring villages in accordance with government policies and in close cooperation with stakeholders. In 2009, the following actions were carried out by the LDS: provision of generators to provide street lighting and electricity for public buildings (schools, churches, mosques, markets, etc.) in two neighbouring villages, solar panels were installed for domestic use in six villages without electricity and will be commissioned in 2010; a jetty was built in a village; pilot plantation, fishing and breeding programmes were established to promote local trade (reduction of imported products from neighbouring islands); gifts of medicine were provided to clinics; and, above all, two doctors and two nurses were brought in to work in the villages, even the most remote ones, where people had no access to medical care.

The budget for this development programme was US$1.2 million in 2009.

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 improve familiarity with stakeholders and their expectations, in 2009, the Group's French and Belgian sites undertook a process of mapping their main contacts. This process, which was initiated by ERAMET's Communications and Sustainable Development Department, will be expanded and implemented on all continents where the Group operates over the next few years. Amongst other things, this initiative has highlighted the multi-faceted best practices of sites concerning dialogue with their stakeholders.

Open days are accordingly organised at many of the Group's sites, both in France and in other regions in which it operates. Since 2007, the Sandouville facility in Le Havre has organised "Industry Discovery" days with the regional branch of UIC (Union des industries chimiques). In 2009, it was the environment-safety aspect of the site that was the main subject of this day. In Gabon, the feast of Sainte-Barbe, patron saint of miners and metallurgists, is an opportunity to present local communities with the activities of the Group's various sites and mining occupations. For the 2009 event, emphasis was placed on personal safety and environmental protection. In the United States, in 2009, the ERAMET Marietta site (Ohio) organised eight open days for secondary-school and high-school students and for local environmental associations.

Similarly, several of the Group's sites maintain dialogue with local residents' associations or local and national environmental associations. This is the case with ERAMET's US site at Marietta and ERAMET's Norwegian sites "Norway Eralloys Tyssedal" and "Norway Sauda-Porsgrunn". This dialogue takes various forms: from sending out the site's annual HSE report 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 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, the teams at Ancizes (Aubert & Duval) presented the UKAD project (plant for forging and converting ingots into titanium and nickel alloys, particularly for the aerospace market) and its benefits and challenges, to representatives of the various neighbouring municipalities (Saint-Georges, Les Ancizes and Chapdes-Beaufort). A meeting was also more specifically devoted to the application for the operating licence for this project and to the measures that would be implemented to limit its environmental footprint (choice of the best available technologies, landscape integration, assessment of the indirect impact on the fauna and flora, hazard study, organisation of the safety team, etc.). The Ancizes site also kept the Departmental Directorate of Labour, Employment and Vocational Training informed of the consequences of the economic crisis and the measures taken by management to cope with them. 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, 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 infrastructure.

The sites also take part in local information committees set up in the industrial zones in which it is located:

- In France, the Le Havre-Sandouville establishment takes part in the Local Committee for Information and Dialogue in the industrial port zone of Le Havre, which is chaired by the sub-prefect of Le Havre. The HSE manager of the site also takes part in the work and deliberations of the Industrial Ecology Health Committee for the zone, and the plant manager participates in the Industrial Risks Committee set up within the Chamber of Commerce and Industry at Le Havre. Comilog Dunkirk also takes an active part in the actions of the CLI and the S3PI (Permanent Secretariat for the Prevention of Industrial Pollution) at Gravelines. The company is also a member of the "Gravelines Entreprendre" club, which brings together the companies in the zone, in partnership with the Dunkirk Chamber of Commerce and Industry. For its part, Eurotunsgtène Poudres, established in Grenoble, took part in the establishment of S3PI in Isère in cooperation with the decentralised government authorities, local authorities and local associations.
- In Belgium in 2009, Erachem-Comilog continued to participate with local authorities and residents in the work of the Safety and Environment Committee in the Tertre industrial zone. Following a request from local residents, Erachem-Comilog carried out a study to identify the origin of the noise inconveniencing those living near the south of the zone. In partnership with the other manufacturers in the zone, Erachem has also 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 manufacturers 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). This initiative covers mutual re-use of waste, heat networks, personnel transport and a monitoring study of the deep aquifer. The Site Manager sits on the steering committee of this association.

Comilog Dunkirk is also a member of the Ecopal network (economic and ecology partners in local action). 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 (sharing resources and services, reusing waste in production cycles, energy and water transfers, educating and informing companies on best environmental practices). Also, in Norway, ERAMET Norway Kvinesdal (formerly Jernverk) and ERAMET Titan (at Tyssedal) have developed synergies with other companies and local authorities, supplying hot water to fish farms or providing heating to the local community (town hall, museum, etc.).

Several sites were involved in the local sustainable development initiatives taken in the region following the environmental roundtable (*Grenelle de l'Environnement*).

Sandouville chose to participate in the discussions of the Seine estuary environment roundtable, launched on November 28, 2008 by authorities in the Le Havre region. The work of this local roundtable concerned 600,000 inhabitants living in 450 municipalities across 3 departments (Seine-Maritime, Eure and Calvados) and took place between December 2008 and summer 2009. Among the 5 workshops set up around shared challenges in the estuary regions, the Sandouville Site Manager participated in the workshop on health and the environment.

For its part, the Aubert & Duval site at Pamiers took part in the Agenda 21 seminar in the town of Pamiers.

On another level, 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) for Nickel and its environment. Founded in 2008, the aim of this public interest grouping is to bring together scientists, industrial operators and public 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 Caledonia 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.

5.12. Biodiversity

The ERAMET group is aware of the biodiversity issues raised by its activities, and mining in particular, and attaches the greatest importance to the protection and conservation of the species and ecosystems present in the regions where its mining activities are located.

Far-reaching measures have been taken over many years, firstly in New Caledonia, on account of the Group's historic operations in this region where there is vast biodiversity. Scientists from Société Le Nickel-SLN (SLN) have developed considerable expertise in the field and undertook numerous studies on habitat preservation with recognised independent experts. As for the mining operations in New Caledonia, new and more environmentally-friendly techniques have been developed for the past 40 years.

On the basis of this experience, the Group ensures that the protection and conservation of species and ecosystems are fully integrated as a key component of any new project. For example, this is the case with the Weda Bay project in Indonesia and also with the C2M industrial complex project in Gabon.

Alongside the mining activities, actions to protect animal species are also carried out within the Group. Mention should also be made of the policy on the preservation of biodiversity implemented for several years within the Parc de la Lékédi in Gabon.

These few examples illustrate the Group's desire to work effectively towards ecosystem conservation and protection. Much work, however, remains to be done to drive forward this initiative.

5.12.1. AN INITIATIVE THAT BEGAN IN NEW CALEDONIA…

Nickel ore in New Caledonia is mined in opencast mines on very hilly terrain. It begins with an exploration phase, continues through the operational phase and ends with restoration.

Following mining, some of the unusable ore (mining waste rock) is stored close to the place of extraction. These operations are carried out in areas where there is initially no access, with no human activities, but where endemic species of flora and fauna are particularly abundant, as is the case throughout the region. It is therefore necessary to have a good knowledge of the initial state of the environment before any mining activity, in order to minimise the impact on the environment and preserve the functioning of ecosystems as far as possible.

Thus, Société Le Nickel (SLN), an ERAMET group subsidiary, works many deposits in New Caledonia. After having developed new mining methods from the 1970s to reduce the environmental impact of its activity and carried out surveys with the IRD designed to diversify the pioneer local species used to restore vegetation cover to the former mining sites, it has also developed a technique for revegetation by hydraulic seeding in association with SIRAS Pacifique.

These modern mining methods developed by SLN were adopted by other mining companies in New Caledonia and in 2010 will be used in the preparation of a guide to best practices for mining in New Caledonia, to which Société Le Nickel has been a very active contributor.

Also, one of the focuses of the new *Centre national de recherche technologique* "Nickel and its Environment", set up in May 2008 in Nouméa and in which SLN participates, continues to be knowledge of environments and how they function (land, water, erosion, transportation, sedimentation, revegetation and microbiology, etc.).

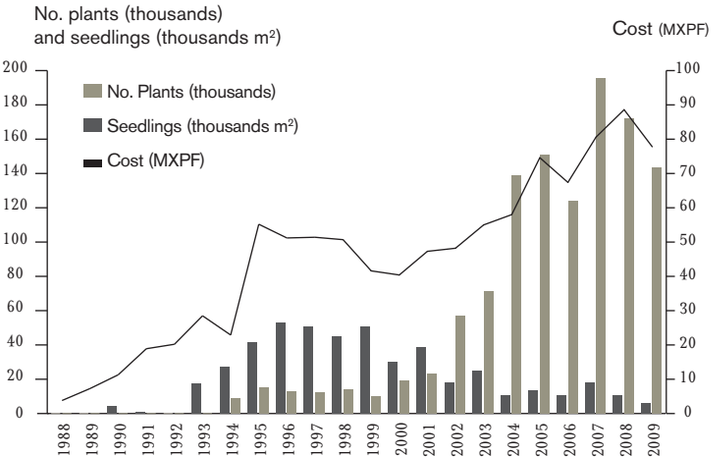
SLN, as part of its mining projects, conducts studies of flora and fauna to characterize the environment and its initial state and carry out impact studies. Most of this work is done in cooperation with consultancies in the field, such as Mica Environnement or SIRAS Pacifique. In these cases, these studies are carried out in coordination with the provincial environment departments. Thus, in 2006, SLN was contacted by the Northern Province concerning several rare endemic plant species and, in association with the IRD, undertook to carry out additional studies on the flora in the Kopeto massif. This study was initiated under the general agreement on scientific cooperation between the SLN and the IRD and expert botanists (agreement in place since April 29, 2002 and renewed on June 27, 2006 for four years). However, given the specificity and richness of the flora of New Caledonia, the assessment of the flora would best be performed by experienced botanists, specialized in systematism, who have acquired a good knowledge of local flora, especially that of ultramafic massifs. As the number of experts in the field is currently limited in the region, SLN decided to engage in a process of developing the essential skills and expertise locally, *via* the funding of CIFRE thesis contracts in partnership with the IRD.

5.12.2. ...WHICH IS CONTINUING IN 2009...

The ERAMET group, convinced of the need for action in this area, maintained its course in 2009 despite significant economic constraints, continuing the programmes that were previously initiated and launching a series of very specific actions, including:

- Continuation of the programme to protect the Araucaria Rulei species: This is a programme to re-establish this species, which is considered by the IUCN (International Union for Conservation of Nature) to be threatened, on the outskirts of the "Camp des Sapins" at Thio. The objectives of this programme are mainly to limit the genetic impoverishment of the residual population through actions to preserve the genetic heritage of the site, and to redensify target populations and rebuild biological bridges between populations. The programme (entrusted to SIRAS Pacifique) was started at the beginning of 2007. The first plantations took place in 2009, after 2 years of identification, collection and production of seedlings in nurseries. About 2,000 plants were planted. The programme provides for the reintroduction of 2,000 plants per annum over 10 years.
- The signing of an agreement in May 2009 between SLN and the Southern Province represented by the Environment Department (DENV) and the New Caledonia Agronomic Institute (IAC): this partnership covers the "genetic diversity and population dynamics of Neocallitropsis pancheri" and, within two years, should allow the IAC to complete this survey, to which SLN has contributed €34,000 in funding (representing 90% of the amount excluding the services specific to the IAC). This study is part of the programme to preserve the species (considered as threatened and protected in New Caledonia since 1945) prepared for SLN's mining site at Opoué – Tontouta. It aims to improve knowledge of the spatial dynamics of the species and should lead to the drawing up of conservation recommendations. All of these studies will be carried out with the support of CIRAD in Montpellier.
- The development of fact sheets to raise awareness regarding the environment and particularly biodiversity: two fact sheets have been prepared for SLN's teams specifically for the clearing work for the geological prospecting campaign using geophysical methods and helicopter surveys. These two educational fact sheets are distributed internally and also to teams of subcontractors who cut trails and construct drilling platforms.
- The building of a biodiversity database intended to be included in the SLN's Geographic Information System: this work aims to weave ecological issues and biodiversity into core mining activities.
- The continuation of restoration work on mining sites in the Poro region and on the disused Si Reis mine at Népoui, despite an economically-challenging year, and the hydraulic seeding work at the Kiel mine. Some figures to illustrate these actions in 2009: 6,145 plants and 14 hectares of hydraulic seeding spread across the Thio, Kouaoua and Poro sites.

RE-VEGETALISATION 1988-2009



5.12.3. ... AND IS BEING IMPLEMENTED IN INDONESIA

As part of its Greenfield project on Halmahera Island in Indonesia, studies establishing and assessing the initial state of the environment are ongoing, including a major "Biodiversity and sustainable management of natural resources" component. 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 activities in the project(s) impact area and to manage renewable natural resources in a sustainable way.

The Weda Bay Nickel project is located on the island of Halmahera in the wet tropical region, 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. Significantly higher rainfall takes place on the plateau, with an average 4,000 mm of precipitation, against 2,600 mm on the coastal strip.

Although the heavy rainfall creates conditions favourable to great diversity of floral species, the low fertility of laterite soil limits the extent of species and their rates of growth, in comparison to other wet tropical regions within the Indonesian archipelago. The species present at Halmahera are a mixture of species from Australasia and Southeast Asia.

Surveys carried out in the low-altitude forests along the coastal strip gave varied results according to the type of soil and its geology, leading to the identification of 530 floral species. A large part of the forest in the coastal strip was impacted, before any mining or industrial activity, either by the development of coconut plantations or by forestry activities. The forests in the lower mountains on the plateau have lower floral diversity, with 231 species catalogued. The state of this forest remains relatively intact, with only a few isolated impacts related to fire.

The biodiversity of fauna on Halmahera is generally considered poor in comparison to other Indonesian islands, mainly because of its low diversity in mammals, reptiles and amphibians. However, Halmahera hosts numerous endemic species of birds and several endemic species of reptiles and mammals.

Weda Bay Nickel has implemented upstream conservation measures. Thus, in 2009, several surveys continued, designed to provide understanding of biodiversity within and around the perimeter of the project. Other actions were implemented on the ground for the long-term preservation of marine and terrestrial biodiversity on the site of the project.

5.12.3.1. Restoration trials

Restoration of the mining zone began following completion of test mining in the lower mountain forest zone at the end of 2007. A large part of 2008 was devoted to establishing appropriate vegetation coverage on the disturbed zone. Tree planting in the pit was completed in Q1 2009, with more than 4,000 plants planted over a total area of 11 ha. Ultimately, 16 local tree species were planted on the ground, with a mixture of pioneer species and primary forest species. Monitoring the initial growth rates showed better performance from species coming from primary forests. However, as soon as the root systems began to penetrate the disturbed soil, the rate of growth of the pioneer species significantly increased in comparison to that of the primary forest species.

Experiments in the nursery for testing the speed of propagation of the species, both on the plain and in the lower mountains, continued in 2009. The total number of local species that have now been positively reintroduced is 52 in the nursery on the plain and 31 in the mountain nursery. The plants most conducive to propagation were obtained from seeds. It is important to mention that only species originating locally were tested in all these restoration experiments.

5.12.3.2. Establishment of protected plots of land to conserve biodiversity

Plots of land that will not be disturbed have been identified in the various sectors and will be kept throughout the project for observation and monitoring. The purpose of these permanent conservatories is to monitor and show the impact of mining operations on the surrounding environment. Another advantage of the approach will be to have sources of seeds forming a seed bank for local species for future restoration activities. It will also be possible to generate data on growth rates and the performance expected at the end of restoration, or to quantify the role of refuge for fauna.

Within each plot of land, all species of trees with a diameter greater than 10 cm are identified, measured and marked with a tag. Other measurements include the height of trees, the presence of ligneous species and species other than trees, and the height and state of decomposition of dead trees, etc. Measurements and observations are taken every year, also including information such as identification of the fauna and soil analyses.

Two conservatories were created during 2009, one in the low-altitude forest zone and the other in a mangrove forest. The composition of the species present there is typical of the zones in question. Four to five known species of orchids have also been identified in the mountainous area, while no rare species of trees have been found in the mangrove area. Finally, fish, crustaceans, molluscs, snakes and birds have all been comprehensively observed during the creation of these conservatories.

The establishment of the conservatory in the mangrove area was preceded by information being provided to the head of the village near the project and local consultations. For the local population, the mangrove zone is economically important and consideration of the impact of mangroves on maintaining the adjacent environment and ecosystems is fundamental. Consequently, management of the resources stemming from the mangrove ecosystem, in consultation with the local population, is proving to be a major issue in the long-term preservation of biodiversity.

5.12.3.3. Study on marine biodiversity

A comprehensive study on marine biodiversity was carried out along the coast bordering the project in March 2009. Based on previous studies carried out in 2001, the scope of the study covered investigating and cataloguing the mangrove reefs, the coral ecosystems and inter-tidal zones, and involved oceanographic measurements, assessment of the quality of sediments and the quality of sea water. The study also covered the Sagea lagoon and its systems for connection to the ocean. This lagoon is considered to have specific cultural and ecological value.

The observations made showed that the coral reefs in the zone concerned by the Weda Bay project are in a relatively good state in comparison to other regions, including those near fishing zones. Seagrasses were found adjacent to most coral reefs in the shallow waters, together with the mangroves, which show relatively diverse populations of flora and fauna.

5.12.4. ... AND IS CONTINUING IN THE PARC DE LA LÉKÉDI IN GABON ...

For more than fifteen years, Sodepal (Société d'Exploitation du Parc de la Lékédi), a Comilog subsidiary, has managed the 14,000 hectares of savannah, gallery forests and lakes in *Parc de la Lékédi* and Bakoumba, a small town in the province of Haut-Ogooué, in the south-east of the Republic of Gabon. The park is constantly maintained and regularly developed with a view to preserving fully protected species, animal observation and breeding. Sodepal has chosen to diversify so as to carry out activities exploiting the local resources, as well as the exceptional natural heritage of the region. Among other activities, it develops eco-tourism and fish farming.

Comilog's unfailing investment and financial support have enabled the company to maintain work in this region affected by the shutdown of the cable-car system.

Sodepal is highly committed, through many actions, to the preservation of biodiversity and raising awareness regarding the protection of the park's exceptional environment.

Hosting eco-tourists and groups of children allows the richness of the biodiversity of the Gabonese forest to be explored and raises awareness with regard to nature preservation. For about the last 15 years, the *Parc de la Lékédi* has been developing a programme for protection of primates in close cooperation with the Gabonese Ministry of Water and Forests. Some ten orphan chimpanzees have thus been housed at the *Parc de la Mioula.* Three baby gorillas from the illicit trade in bushmeat have also found refuge in our organisations over the last two years.

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 innovative programme for several years for the reintroduction of mandrills into the wild. This cooperation with the Franceville International Medical Centre and CNRS offers scientists an incomparable observatory on the ecology of mandrills and provides tourists with an unforgettable encounter with little-known primates.

The establishment of anti-poaching measures in agreement with the Gabonese Ministry of Water and Forests to protect the fauna in the *Parc de la Lékédi* is supplemented by raising the awareness of local communities regarding the conservation of biodiversity. In this regard, an action targeted at primary school children was carried out in cooperation with the Gorilla Protection Programme (John Aspinall Foundation).

Once again in Gabon, Setrag (Transgabonais railway operating company) is continuing its active participation in the fight against bushmeat poaching by making sure that bushmeat is no longer transported in its trains.

5.12.5. ... AND EVERYWHERE ELSE IN THE WORLD TOO

Actions to promote environmental protection are also carried out in the other countries in which the company operates, particularly in the United States. The Erachem Comilog Baltimore site has thus left a sector of 20 acres fallow to allow the development of natural ecosystems.

5.13. Health and Safety

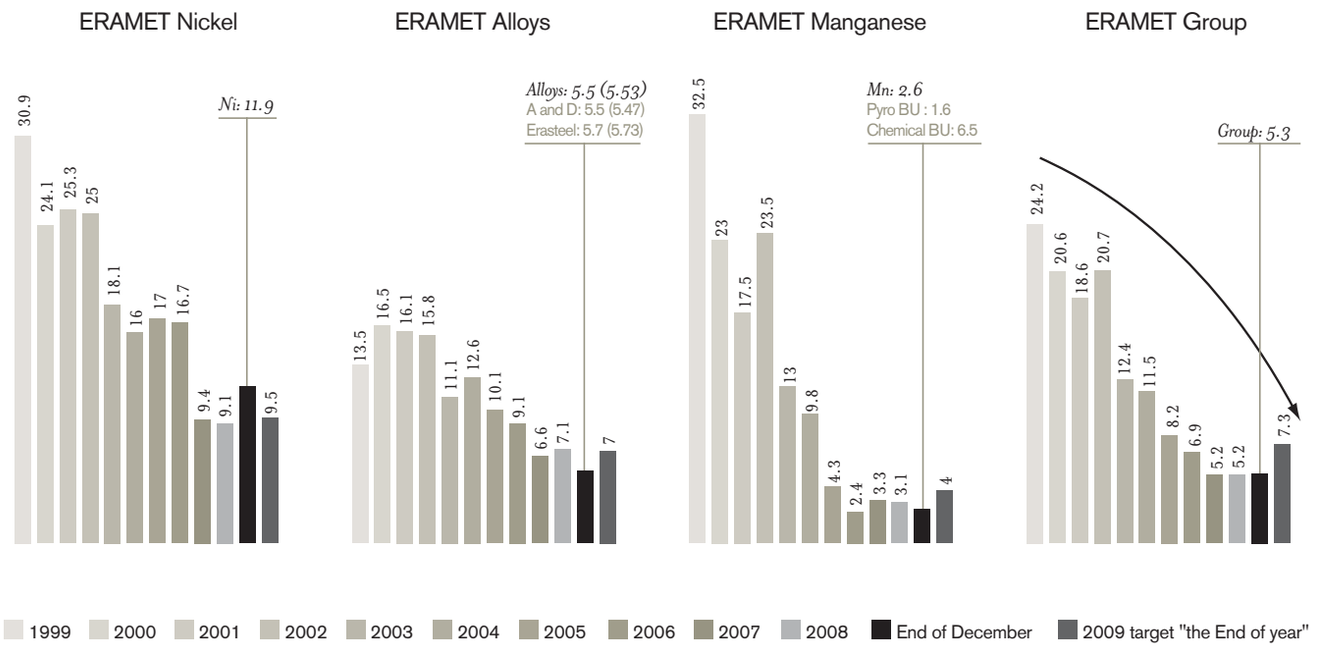
5.13.1. SAFETY

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 frequency rate over the past 10 years at an almost constant scope (excluding the Chinese metallurgical plants before 2003, and successively including 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. This improvement 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).



* 12 Rolling months.

2009 saw an improvement in frequency rates in H1 on the back of the improvement at the Alloys Division (low of 4.5 at the end of July on a 12-month rolling basis), followed by a deterioration, essentially related to SLN in the Nickel Division. So at the end of 2009, the frequency rate was at the same level as at the end of 2008, thereby remaining stable for the third consecutive year. Following a grim year in which there were 5 fatal accidents, one fatal accident occurred in 2009.

5.13.1.2. Safety audits

A site assessment policy is carried out through systematic audits at the rate of one audit every two years for every site worldwide. The audits are carried out by 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.

INTRODUCTION OF SAFETY AUDIT FRAMEWORK V3

In 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, introducing 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 for us to correlate the results of the audit for a site with those obtained during the previous audit. Accordingly, the table presented in previous years is no longer relevant. 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, we 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 preparing the action plans of the Group and subsequently and particularly those of the sites for the following two years and, for example, in 2003, they enabled a major risk to be detected, with a specific initiative taken at Group level in 2004 in order to control it (planned and budgeted initiative carried out across a set of pilot sites, rollout to all sites scheduled for 2005 and 2006 and for the most part carried out).

5.13.1.3. Safety audits in 2009

In 2009, following specific requests from sites, the auditors (always accompanied by the Group H&S Manager and backed up by senior auditors such as the medical officer or the Environment Coordinators) carried out H&S or HSE audits on 10 sites (only 4 of which were scheduled):

- H&S audits on 3 sites (Commentry, Gennevilliers & DFIP in Owendo) already audited several times, and a newly-created entity in Gabon (DEV in Owendo);
- HSE audits on 3 sites including two that were already audited several times (Firminy and Sauda), and a third, Grenoble, with the aim of preparing for the change of manager at the HSE team;
- an HSE audit was carried out for the first time on the sites at Boonton in the US and Tyssedal (which had just joined the Group) in Norway;

- the specific process initiated in New Caledonia in 2008 was continued with the training of new HSE auditors (during an assignment in November). New Caledonia is thus independent as regards the carrying out of HSE audits.

5.13.1.4. Special training programmes

In addition to "regulatory" training programmes (handling fire extinguishers, operating handling equipment, basic life-savings 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 at Ancizes.

Other types of training were provided for those in charge of managing subcontractors, such as at Heyrieux at the A&D Distribution Centre or 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 or at Eurotungstène in Grenoble.

5.13.2. HEALTH AND SAFETY

The health of employees, whatever their status, of personnel of 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 and 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 January 2010, 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.

5.13.2.1. 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.

5.13.2.2. 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. The putting in place of 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 monitoring enabling 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.

5.13.2.3. 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 a go-between between professional and environmental health aspects and contributes to drafting the health sections of impact studies.

5.13.2.4. 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 establishment is ensured. In 2009, work continued on implementing these practices in other sites 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.

In 2008, the initiatives to introduce specific medical monitoring of exposure to Manganese (Mn) were reflected in ERAMET's involvement in, and coordination of, a working group comprising Mn industrial operators under the auspices of the International Manganese Institute (IMnI). All the IMnI member establishments were interviewed in order to review the methods for monitoring exposed staff. Discussions on these practices, together with the advice of scientists, led to the preparation of a protocol, which was validated during the first meeting in 2010 of the EHS Committee of the IMnI.

Similarly, work was carried out within the IMnI 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 were subject to measurement campaigns on the basis of the agreed protocol. The Institute of Occupational Medicine will analyse all the results and communicate its conclusions at the end of H1 2010.

More fundamentally, ERAMET took part, through the IMnI, in a research programme, the Manganese Health Research Programme, with the aim of making advances in the understanding of the impact of manganese on health. This programme, which was spread over 5 years, finished in 2009. The work of the third phase was presented at a conference in 2009 in Washington. Numerous high-level scientific publications were thus presented.

ERAMET is also involved in preventing environmental health problems relating to its business activities:

- the improvement of the mineralogical knowledge of mining sites through the work of geologists enables risk prevention to be continued and made more effective, in particular regarding environmental asbestos risks. Health impact studies and quantitative studies of health risks are carried out when required. These studies enable risk management to be clarified and are intended to provide estimates of risks to human health in cases of chronic exposure, of low intensity, to hazardous agents present in the environment;
- the prior obligation on all manufacturers, importers or downstream users that manufacture, import or use the substances or market them in Europe, to ensure that they are not harmful to health or to the environment is central to REACH. ERAMET has complied with the first stage deadlines for the pre-registration of its substances. The studies conducted and the measurement of exposure taking account of exposure scenarios will make it possible to improve protection measures for employees and users. ERAMET has actively committed itself to this approach through its involvement in around ten consortia and around one hundred discussion forums.

ACTIONS AT SITE LEVEL

Being aware of its corporate social responsibility, ERAMET is involved in the health policies for its establishments and acts as a good corporate citizen:

- the Chinese establishments have dispensaries and the health unit at the Doniambo plant in New Caledonia provides consultations for employees and their families;
- 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. Since 2008, the reorganisation of its units and a partnership with other entities have enabled gynaecology services to be provided. In 2009, despite the economic climate, certain items of heavy equipment (such as a radiology table and an ambulance) were replaced;
- in Owendo (Gabon), Setrag has a dispensary which provides consultations for employees and their beneficiaries thanks to the presence of three doctors;
- these two establishments have x-ray equipment and laboratories and ensure the supply of medicine 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 at the end of 2006 and implemented from 2007, was continued in 2009 in cooperation with the Gabon health authorities, despite the slowdown in economic activity. This programme is aimed at employees of Comilog and Setrag, together with their families, and includes initiatives on communication and health education, preventive actions, 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. Nearly 250,000 condoms were distributed to 3,000 staff in the two entities during 2009.
  Staff and members of their families who wish to be tested, or who are living with HIV, continue to be supported by the company, at Comilog and at Setrag, under partnerships with government health organisations.

At Comilog, the number of persons monitored has nearly doubled in one year, proof of the confidence in this programme.
2009 saw the development of new methods of communication and initiatives on the ground. At Comilog, after new actions to raise awareness within the company's departments, a publicity car was set up within the workers' housing estates at Moanda. Setrag organised a large awareness campaign in the 8 stations of the Transgabonais railway on the theme "non-discrimination in the workplace and in the community", together with information days at the company head office and in the housing estates. The Gamma Programme has also sponsored national sporting events (particularly through the distribution of condoms and promotional gifts), such as at the Tropicale Amissa Bongo, Moanda Open Golf tournament and the National Judo Championship. Public-relations events during World AIDS Day and the Sainte-Barbe and Saint-Éloi festivities were also used to raise awareness.
Sodepal, a Comilog subsidiary, whose activities are based on aquaculture and eco-tourism within the *Parc de la Lékédi* in the Haut-Ogooué, is participating in the Gamma Programme, in Unicef's Art Gold Programme (local development) and in child vaccination programmes.

- In 2008, ERAMET introduced the Go Care program to provide better medical monitoring and preparation for the risks relating to foreign travel or expatriation for its travellers and expatriates. More than 150 people benefited from this programme in 2009.

In 2008, additional health considerations were added to the internal audit framework developed by the Group in order to identify the necessary areas for improvement at each site as regards health management in compliance with regulations and the Group health policy.

To cope with the A(H1N1) flu pandemic, the Group reacted with the appropriate measures recommended by the WHO and the national authorities of each entity, setting up appropriate communication, measures covering hygiene and prevention, recommendations concerning travel and the organisation necessary for monitoring and responding to the pandemic (crisis teams and business continuity plans).

Only SLN was significantly affected (rate of infection of about 15%). Rare, isolated and non-serious cases occurred in the Group's other establishments.

From the beginning of 2010, the pandemic has been declining. Monitoring is continuing in order to remain responsive, to cope with the threat of another peak in the pandemic.

Particular attention was paid to the Weda Bay project in matters of health. Recommendations were specified concerning the medical monitoring of employees and working conditions in the future industrial complex. These are compliant with international standards and the requirements of the ERAMET group. Public-health initiatives have been developed covering the inhabitants of the region and supporting local health systems.

Concerning stress, the Group has decided to extend the stress-prevention plan to the entire French scope. From November 2009, the Health, Safety and Working Conditions Committees on the Aubert & Duval sites were provided with information on stress and it was decided to extend this information to all French sites. Group negotiations have begun with the trade unions, designed to obtain an agreement on how this should be done.

5.13.2.5. 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 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 2009, revealed 408 cases of asbestos-related occupational illnesses, primarily pleural plaques and pleural thickening (80%), 120 of which were recognised and attributed to Group companies. Of the 88 actions for gross negligence that were filed in late 2009, proceedings are still underway for 17 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 resource 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 the social partners, both formally (remuneration policy, training, welfare and job 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, integration days for new hires).

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 Group's human resource management operates on two levels. A shared Group aspect regarding the policy on management of top-level staff and their mobility and the implementation of a certain number of employee initiatives (employee coverage against unforeseen events, health and safety, training, evaluation, etc.). A management level that is as close as possible to the field, employee concerns and the culture of the country and the company.

Human resource management at the ERAMET group is thus driven at these two levels.

In 2009, the Group, Division and local Human Resource teams worked to prepare and implement the necessary actions to carry out the necessary restructuring in a period of crisis. Numerous development projects were nevertheless initiated or continued: construction and gradual implementation of a worldwide information system for managing top-level staff, formalisation of the policy on international mobility within the Group, implementation of a worldwide plan for the allocation of bonus shares, continuation of the technical leadership initiative designed to map the technical skills of employees in each job and plan possible replacements, improvement of relationships with schools to enhance the Group's reputation in the job market, etc.

5.14.2. WORKFORCE

On December 31, 2009, the total workforce stood at 14,670 employees, against 15,741 on December 31, 2008, representing a drop of 1,071 (-6.8%).

5.14.2.1. Changes in workforce by Division and geographic region

	France			Other European countries			North America			Asia			Other regions			Total		
	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009
Holding company	244	278	**286**	0	19	**18**	11	12	**14**	18	34	**19**	1	9	**9**	274	352	**346**
Nickel Division	360	366	**369**	0	0	**0**	0	0	**0**	197	258	**301**	2,389	2,502	**2,403**	2,946	3,126	**3,073**
Alloys Division	4,242	4,298	**4,179**	629	619	**477**	34	37	**36**	68	128	**96**	10	0	**0**	4,983	5,082	**4,788**
Manganese Division	133	142	**135**	558	1,083	**1,008**	915	786	**581**	2,287	2,226	**1,902**	2,826	2,944	**2,837**	6,719	7,181	**6,463**
Total	**4,979**	**5,084**	**4,969**	**1,187**	**1,721**	**1,503**	**960**	**835**	**631**	**2,570**	**2,646**	**2,318**	**5,226**	**5,455**	**5,249**	**14,922**	**15,741**	**14,670**

On December 31, 2009, 34% of ERAMET's total workforce was in France, 10% in the rest of Europe, 4% in North America, 16% in Asia and 36% in the rest of the world (Gabon and New Caledonia). Gabon had 2,719 employees on December 31, 2009 and New Caledonia 2,403.

All divisions of the ERAMET group saw a drop in their workforces in 2009: -1.7% for the Nickel Division, -5.7% for the Alloys Division and -10% for the Manganese Division.

The various Group companies also employed 405 temporary workers on December 31, 2009, representing 2.7% of the Group's total workforce. More than 75% of these temporary workers are employed in Indonesia on the Weda Bay site.

5.14.2.2. Breakdown of workforce by type of employment contract

	Open-ended contracts			Fixed-term contracts			Total		
	2007	2008	2009	2007	2008	2009	2007	2008	2009
Holding company	262	319	**329**	12	32	**17**	274	352	**346**
Nickel Division	2,681	3,016	**2,954**	265	110	**119**	2,946	3,126	**3,073**
Alloys Division	4,815	4,838	**4,597**	168	244	**191**	4,983	5,082	**4,788**
Manganese Division	5,324	5,715	**5,454**	1,395	1,466	**1,009**	6,719	7,181	**6,463**
Total	**13,082**	**13,889**	**13,334**	**1,840**	**1,852**	**1,336**	**14,922**	**15,7411**	**14,670**

Out of the 14,670 Group employees on December 31, 2009, 13,334 (representing 90.9%) had open-ended contracts and 1,336 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% of the workforce outside Asia. 82% 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.

5.14.2.3. 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, 13% in North America, 22% in Asia and 11% in the rest of the world.

Women also represent 19% of management worldwide.

	Male			Female			Total		
	2007	2008	**2009**	2007	2008	**2009**	2007	2008	**2009**
Holding company	176	218	**210**	98	134	**136**	274	352	**346**
Nickel Division	2,654	2,798	**2,732**	292	328	**341**	2,946	3,126	**3,073**
Alloys Division	4,311	4,406	**4,103**	672	676	**685**	4,983	5,082	**4,788**
Manganese Division	5,628	5,855	**5,390**	1,091	1,326	**1,073**	6,719	7,181	**6,463**
Total	**12,769**	**13,277**	**12,435**	**2,153**	**2,464**	**2,235**	**14,922**	**15,741**	**14,670**

5.14.2.4. 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 trend increase in the level of qualifications. Accordingly, blue collar workers represented 63% in 2005 compared to 58% in 2009, clerks, technicians and foremen made up 26.3% in 2005 compared to the current 30% and, lastly, management accounted for 9.8% of headcount in 2005 but represents 11.5% today. This stemmed both from the rapid increase in management and technical requirements and the progression of Group plans.

	Workers			Clerks, technicians and foremen			Management			Total		
	2007	2008	**2009**	2007	2008	**2009**	2007	2008	**2009**	2007	2008	**2009**
Holding company	0	3	**0**	106	138	**133**	168	211	**213**	274	352	**346**
Nickel Division	1,717	1,782	**1,700**	998	1,092	**1,116**	231	252	**257**	2,946	3,126	**3,073**
Alloys Division	2,961	3,081	**2,843**	1,570	1,543	**1,476**	452	458	**469**	4,983	5,082	**4,788**
Manganese Division	4,394	4,622	**3,966**	1,657	1,751	**1,751**	668	808	**746**	6,719	7,181	**6,463**
Total	**9,072**	**9,488**	**8,509**	**4,331**	**4,524**	**4,476**	**1,519**	**1,729**	**1,685**	**14,922**	**15,741**	**14,670**

5.14.2.5. Average age

The average age, as can be seen from the table below, is relatively constant across professional categories and Divisions, with the exception of Nickel Division workers (primarily in New Caledonia), where the average age is some four years younger than for the other Divisions and professional categories.

Employees over 50 account for 24% of the workforce and those 30 or younger a little over 16% of the total, down compared to previous years.

Future Employment and Expertise Management is a HR tool undergoing progressive and significant development.

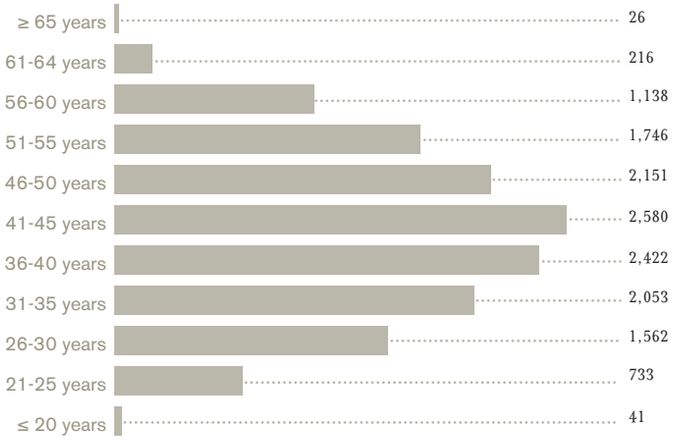
	Workers			Clerks, technicians and foremen			Management		
	2007	2008	**2009**	2007	2008	**2009**	2007	2008	**2009**
Holding company	-	26	**-**	43	41	**40**	45	44	**44**
Nickel Division	36	36	**34**	34	33	**42**	40	41	**43**
Alloys Division	41	38	**41**	44	43	**43**	45	44	**43**
Manganese Division	40	41	**44**	43	44	**44**	46	45	**47**
Total	**40**	**39**	**40**	**41**	**41**	**42**	**44**	**44**	**45**

5.14.2.6. Seniority

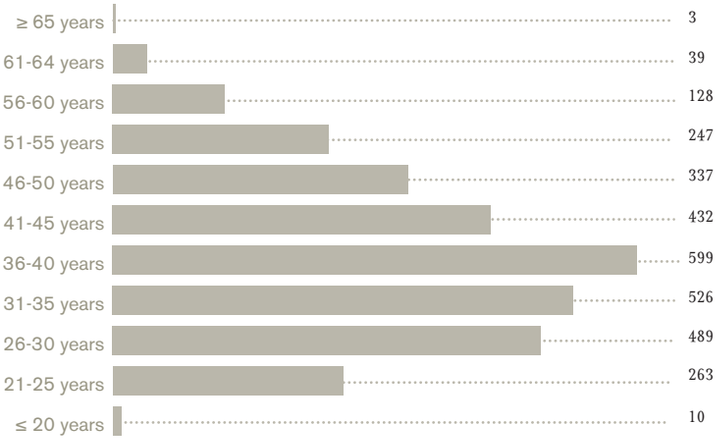
	Workers			Clerks, technicians and foremen			Management		
	2007	2008	**2009**	2007	2008	**2009**	2007	2008	**2009**
Holding company	0	1	**-**	14	11	**11**	11	9	**9**
Nickel Division	10	10	**8**	14	13	**13**	8	8	**8**
Alloys Division	16	15	**13**	18	17	**15**	11	11	**10**
Manganese Division	15	15	**15**	17	17	**17**	15	14	**14**
Total	**15**	**14**	**13**	**17**	**16**	**14**	**13**	**12**	**12**

5.14.2.7. Age pyramid

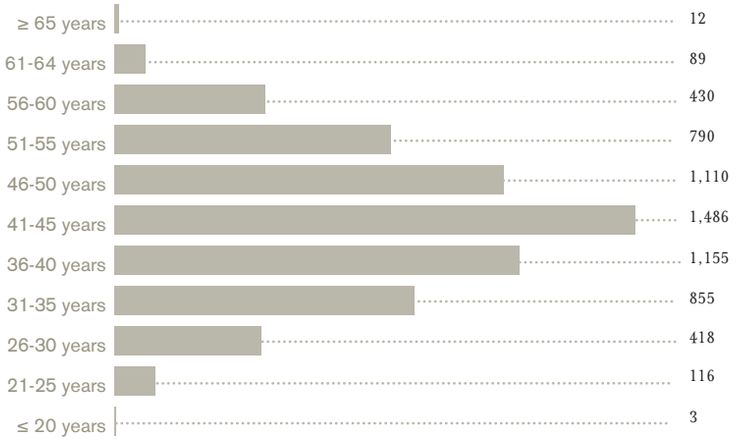
Group



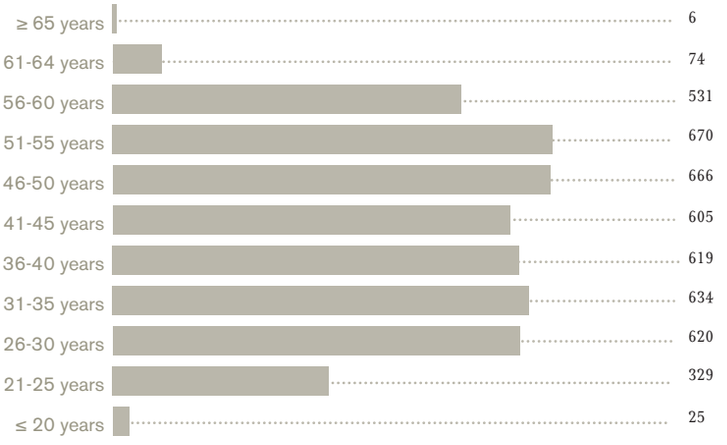
Nickel



Manganese



Alloys



5.14.2.8. Workforce management

Despite the crisis, Group companies hired 699 employees in 2009. 45% of hiring took place in Europe (including France), 12% in North America, 20% in Asia and 23% in the rest of the world.

The number of departures in 2009 reached 1,594, including 551 dismissals (34% of departures) and 255 resignations (16% 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 around 6.2% in 2007, 6.7% in 2008 and finally 7.6% in 2009. The number of resignations is strongly down compared to 2008 (-32%).

The job-creation balance (arrivals – departures), which was positive in 2006, 2007 and 2008, became negative in 2009.

The drop in the workforce was firstly the result of a reduction in the use of fixed-term contracts (-516 employees between 2008 and 2009), the closure of the Daoer plant in China and the shutdown of the Northern plant at Marietta (US), and secondly the restructuring plans at certain sites that were heavily impacted by the crisis, such as Kloster in Sweden.

	Arrivals															Departures		
	Outside hiring and others			Dismissals			Retirement and early retirement			Resignations			Other*			Total		
	2007	2008	**2009**	2007	2008	**2009**	2007	2008	**2009**	2007	2008	**2009**	2007	2008	**2009**	2007	2008	**2009**
Mainland France	656	573	**209**	59	57	**48**	156	171	**112**	105	94	**44**	230	91	**97**	550	413	**301**
New Caledonia	276	243	**26**	76	62	**43**	36	15	**32**	10	21	**24**	26	21	**34**	148	119	**133**
Europe ex. France	116	64	**35**	20	4	**80**	27	27	**47**	64	36	**37**	11	19	**46**	122	86	**210**
US	130	144	**78**	20	27	**68**	28	18	**9**	43	58	**14**	27	20	**214**	118	123	**305**
Gabon	223	116	**57**	18	7	**13**	19	47	**48**	32	22	**43**	91	64	**29**	160	140	**133**
Asia	349	354	**122**	19	43	**286**	94	77	**66**	91	141	**87**	20	30	**1**	224	291	**440**
Other	91	86	**76**	0	7	**13**	0	2	**0**	6	4	**6**	62	73	**53**	68	86	**72**
Total	**1,841**	**1,580**	**603**	**212**	**207**	**551**	**360**	**357**	**314**	**351**	**376**	**255**	**467**	**318**	**474**	**1,390**	**1,258**	**1,594**

** 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:

- Mainland France: 35 hours per week;
- Norway: 37 hours 30 minutes per week;
- New Caledonia: 37 hours 50 minutes per week;
- 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.

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 38% in 2009.

These charges represent between 40 and 50% of payroll expenditure in mainland France. They are highly variable from one country to another (for example, 41% in New Caledonia, 30% in Norway, 28% in Belgium and 15% in Gabon).

In 2009, personnel costs for the ERAMET group stood at €580 million. They were €594 million in 2008.

The average cost of personnel, excluding temporary staff, was €40,000 in 2009, unchanged compared to 2008.

EMPLOYEE BENEFITS

In line with Group agreements on staff insurance schemes for major risks and unforeseen events, the ERAMET group wants all mainland France employees to benefit from supplementary healthcare cover. On July 9, 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 January 1, 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 insurance 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 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 December 31, 2009 was €26.2 million.

EMPLOYEE SHARE OWNERSHIP

In 2009, the 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 May 13, 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.

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 December 31, 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 personnel expenses 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 2008, paid in 2009, reached significant levels and made it possible to, depending on the company, pay out between 7% and 15% of payroll expenses.

Equivalent provisions in Sweden are based on the ratio of total payroll to profit.

COMPANY 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.

Savings are invested in mutual funds managed by financial institutions independent of the Group and controlled by equal-representation supervisory boards.

On December 31, 2009, more than 4,000 employees in France were members of a company Savings Plan, with total assets of €50 million. In New Caledonia, 2,190 employees are members of the company Savings Plan, representing total assets of over €35 million on December 31, 2009, namely an average of €16,200 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 6 members, which meets more often in close cooperation with general management and human resources management out of a desire for regular communication and information sharing.

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 95% 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.

2009 saw an intensification of the relationship between the management and the social partners:

- firstly, in relation to the restructuring measures covering all Group divisions and 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 the economic situation

In all the countries in which the ERAMET group operates (France including New Caledonia, Belgium, Sweden, Norway, Gabon, Mexico, United States, Canada, China, etc.) local management has found, together with local social partners, solutions appropriate to the economic, industrial and employment situations and to local legislation, while preserving jobs as far as possible.

Therefore, thanks to the discussions held between local management and their social partners, numerous different and innovative solutions were implemented:

- the Swedish teams first implemented measures for early retirement, then organised the departures by means of negotiations with their local partners;
- SLN's management in New Caledonia began a wide-ranging consultation on the competitiveness of the company;
- the Gabonese teams organised shutdowns as holiday periods in order to minimise the job impact on the local corporate structure;
- Belgian, Norwegian and French management preferred, wherever possible, changes in work organisation (Dunkirk) to avoid short-time working or, after discussion with local employee representatives, organised periods of short-time working ensuring an optimal level of payment while maintaining the level of social-security coverage;
- the manganese teams (Marietta – US), together with their social partners, began an ambitious plan to reorganise the activity on the site, associated with a major capital expenditure programme.

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 the 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.

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 provided for a sustainable level of increase in accordance with Group policy, which aims to ensure a steady and controlled increase in remuneration;
- the Group's senior management stuck to the timetable for negotiations covering company savings schemes: PERCO (France), Savings Plan (France and New Caledonia), the joint meetings and negotiations covering insurance schemes (France and New Caledonia) and health cover (France).

At the same time, wishing to continue and intensify dialogue and consultation, the Group's senior management included divisional operational management in the annual central meetings with employee representative bodies. Thus, from 2009, deputy division managers take part in plenary meetings of the Group's Works Council and 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 7th Group 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 2009, all managers in Asia (Japan, Korea, Taiwan and China) received management training composed of 4 modules of 3 days to improve their knowledge of subjects such as change management, conflict resolution and intercultural management.

However, many training initiatives also relate to the use of computer tools and foreign languages.

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. Prior to this interview, all managers receive a Group training course of one day: "Value-based management & annual assessment interview". This worldwide training course is given in all countries, in all of the languages used within the Group.

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.

In 2009, more than 4,000 managerial and non-managerial staff had annual assessment interviews. Many sites have started to extend the benefits of this system to non-managerial staff.

6

FINANCIAL STATEMENTS

6.1. 2009 consolidated financial statements

6.1.1. 2009 ACCOUNTS

6.1.1.1. Statement of comprehensive income

(millions of euros)	Notes	FY 2009	FY 2008	FY 2007
Sales	**22.1**	**2,689**	**4,346**	**3,792**
Other income	22.2	**(20)**	126	62
Cost of sales	-	**(2,429)**	(2,768)	(2,318)
Administrative and selling expenses	-	**(142)**	(141)	(126)
Research and development expenditure	-	**(39)**	(58)	(37)
EBITDA	**-**	**59**	**1,505**	**1,373**
Amortisation and depreciation for non-current assets (1)	23.1	**(210)**	(186)	(171)
Impairment charges and provisions	23.2	**(12)**	2	(6)
Current operating profit	**-**	**(163)**	**1,321**	**1,196**
Other operating income and expenses	24	**(104)**	(78)	(57)
Operating profit	**-**	**(267)**	**1,243**	**1,139**
Net borrowing cost	25.1	**11**	34	19
Other finance income and expenses	25.2	**(12)**	(75)	6
Share of profit of associates	8	**-**	-	-
Income tax	26	**7**	(347)	(350)
Profit (loss) for the period	**-**	**(261)**	**855**	**814**
- attributable to non-controlling interests	15	**4**	161	232
- attributable to owners of the Company	-	**(265)**	694	582
Basic earnings per share (euros)	27	**(10.16)**	27.03	22.67
Diluted earnings per share (euros)		**(10.16)**	26.96	22.54
Profit (loss) for the period	**-**	**(261)**	**855**	**814**
Translation adjustments on financial statements of foreign currency denominated subsidiaries	-	**109**	(123)	(28)
Change in hedging instrument revaluation reserve	-	**135**	(109)	335
Change in fair value of financial assets held for sale	-	**21**	(13)	-
Income tax	26	**(53)**	46	(117)
Other comprehensive profit (loss) for the year	**-**	**212**	**(199)**	**190**
Total comprehensive profit (loss) for the period	**-**	**(49)**	**656**	**1,004**
- attributable to non-controlling interests	-	**24**	144	304
- attributable to owners of the Company	-	**(73)**	**512**	**700**

(1) Including (10) million euros on behalf of the allocation to material and immaterial assets of the Eralloys Holding A/S acquisition price (note 2).

6.1.1.2. Statement of financial position

ASSETS

(millions of euros)	Notes	12/31/2009	12/31/2008	12/31/2007
Goodwill	4	**161**	263	33
Intangible assets	5	**432**	345	309
Property, plant & equipment	6	**1,795**	1,763	1,505
Investments in associates	8	**21**	-	1
Other non-current financial assets	9 & 10	**100**	137	61
Deferred tax	18	**68**	32	13
Other non-current assets	12	**5**	6	6
Non-current assets	-	**2,582**	**2,546**	**1,928**
Inventories	11	**824**	1,242	905
Trade receivables and other current assets	12	**514**	597	675
Current tax receivables	-	**43**	141	131
Derivatives	21	**90**	111	129
Other non-current financial assets	13	**405**	388	144
Cash and cash equivalents	13	**812**	944	962
Current assets	-	**2,688**	**3,423**	**2,946**
Total assets	-	**5,270**	**5,969**	**4,874**

SHAREHOLDERS' EQUITY & LIABILITIES

(millions of euros)	Notes	12/31/2009	12/31/2008	12/31/2007
Share capital		**80**	80	79
Share premiums		**341**	345	223
Financial assets held for sale revaluation reserve		**6**	(8)	-
Hedging instrument revaluation reserve		**24**	(54)	18
Translation adjustments		**(32)**	(132)	(30)
Other reserves		**2,116**	2,430	1,904
Attributable to owners of the Company	**14**	**2,535**	**2,661**	**2,194**
Attributable to non-controlling interests	15	**970**	1,071	841
Shareholders' equity	-	**3,505**	**3,732**	**3,035**
Employee liabilities	16	**128**	121	112
Provisions	17	**314**	271	255
Deferred tax	18	**297**	240	246
Borrowings – long-term portion	19	**199**	92	65
Other non-current liabilities	20	**36**	22	30
Non-current liabilities	-	**974**	**746**	**708**
Provisions – short-term portion	17	**29**	32	31
Borrowings – short-term portion	19	**72**	107	87
Trade payables and other current liabilities	20	**590**	907	656
Current tax liabilities	-	**74**	287	276
Derivatives	21	**26**	158	81
Current liabilities	-	**791**	**1,491**	**1,131**
Total shareholders' equity & liabilities	-	**5,270**	**5,969**	**4,874**

6.1.1.3. Statement of cash flows

(millions of euros)	FY 2009	FY 2008	FY 2007
Cash flows from operating activities			
Profit (loss) for the period	**(261)**	855	814
Elimination of non-cash and non-operating income and expenses:			
- Depreciation, amortisation and provisions	**340**	205	186
- Financial instruments	**(13)**	26	(15)
- Deferred tax	**(60)**	15	46
- Gain (loss) on asset disposals	**(48)**	9	(2)
- Share of profit of associates	**-**	-	-
Cash generated from operations	**(42)**	**1,110**	**1,029**
(Increase)/decrease in inventories	**455**	**(273)**	**(155)**
(Increase)/decrease in trade receivables	**78**	181	1
Increase/(decrease) in trade payables	**(111)**	93	52
Change in other assets and liabilities	**(86)**	321	287
Interest income	**22**	47	17
Interest paid	**(15)**	(11)	(14)
Tax paid	**(189)**	(328)	(229)
Net change in current operating assets and liabilities	**154**	30	(41)
Net cash generated by operating activities	**112**	**1,140**	**988**
Cash flows from investing activities			
Payments for non-current assets	**(294)**	(678)	(358)
Proceeds from non-current asset disposals	**-**	6	12
Capital grants received	**-**	-	-
Proceeds from/repayment of borrowings	**(3)**	(24)	4
Dividends received from associates	**-**	1	1
Impact of additions to scope (1)	**(17)**	(165)	-
Impact of removals from scope (2)	**93**	-	-
Net cash used in investing activities	**(221)**	**(860)**	**(341)**
Financing activities			
Dividends paid to ERAMET shareholders	**(136)**	(154)	(74)
Dividends paid to minority interests in consolidated companies	**(27)**	(51)	(33)
Proceeds from share capital increases	**1**	5	1
Proceeds from and payment for treasury stock (3)	**1**	(10)	4
Proceeds from borrowings	**194**	57	78
Repayment of borrowings	**(94)**	(122)	(202)
Net change in current financing assets and liabilities	**18**	-	(1)
Net cash (used in) generated by financing activities	**(43)**	**(275)**	**(227)**
Exchange rate impact	**20**	(23)	2
Increase (decrease) in cash and cash equivalents	**(132)**	**(18)**	**422**
Cash and cash equivalents at January 1	**944**	**962**	**540**
Cash and cash equivalents at December 31	**812**	**944**	**962**

The ERAMET group uses the concept of net cash/borrowing position as an internal management and performance indicator, as presented in Note 19.6:

Net cash (or net debt) position	**946**	**1,133**	**954**

(1) Impact of new consolidations relates to:

(millions of euros)	**FY 2009**	FY 2008	FY 2007
Consolidation of Eralloys Holding A/S & Tinfos A/S	**(21)**	(155)	-
- Acquisition cost	**(88)**	(400)	-
- Cash acquired	**(11)**	131	-
- ERAMET share issue	**73**	114	-
- ERAMET share grant	**5**	-	-
- Debt on non-current assets	**-**	-	-
- Integration of Ukad	**4**	-	-
- Acquisition cost	**-**	-	-
- Cash acquired	**4**	-	-
- ERAMET share issue	**-**	-	-
- Debt on non-current assets	**-**	-	-
Consolidation of Port Minéralier d'Owendo SA	**-**	(10)	-
- Acquisition cost	**-**	(12)	-
- Cash acquired	**-**	2	-
Total	**(17)**	**(165)**	**-**

(2) Impact of deconsolidations includes:

(millions of euros)	**FY 2009**	FY 2008	FY 2007
Strand Minerals Pte Ltd	**93**	-	-
Subsidiaries deconsolidated – cash divested	**-**	-	-
Total	**93**	**-**	**-**

(3) Changes in treasury stock include:

(millions of euros)	**FY 2009**	FY 2008	FY 2007
Purchases and sales – liquidity contract	**1**	(10)	2
Purchase option exercises by employees	**-**	-	2
Total	**1**	**(10)**	**4**

6.1.1.4. Statement of changes in shareholders' equity

(millions of euros)	Number of shares	Share capital	Share premiums	Reserves/ assets held for sale	Reserves/ hedging instruments	Translation adjustments	Other reserves	Attributable to owners of the Company	Attributable to non-controlling interests	Total Shareholders' equity
Shareholders' equity as at January 1, 2007	**25,880,894**	**79**	**222**	**-**	**(122)**	**(5)**	**1,440**	**1,614**	**525**	**2,139**
Profit (loss) for the period	**-**	**-**	**-**	**-**	**-**	**-**	**582**	**582**	**232**	**814**
Translation adjustments on financial statements of foreign currency denominated subsidiaries	-	-	-	-	-	(22)	-	(22)	(6)	**(28)**
Change in hedging instrument revaluation reserve	-	-	-	-	140	-	-	140	78	**218**
Change in fair value of financial assets held for sale	-	-	-	-	-	-	-	-	-	**-**
Other items of comprehensive profit (loss) for the period	**-**	**-**	**-**	**-**	**140**	**(22)**	**-**	**118**	**72**	**190**
Total comprehensive profit (loss) for the period	**-**	**-**	**-**	**-**	**140**	**(22)**	**582**	**700**	**304**	**1,004**
Dividends distributed – €2.90 per share	-	-	-	-	-	-	(74)	(74)	(33)	**(107)**
Share capital increases	24,727	-	1	-	-	-	-	1	-	**1**
Treasury stock	-	-	-	-	-	-	(49)	(49)	-	**(49)**
Share-based payment	-	-	-	-	-	-	2	2	-	**2**
Changes in interests in subsidiaries	-	-	-	-	-	-	-	-	45	**45**
Other movements	-	-	-	-	-	(3)	3	-	-	**-**
Total transactions with shareholders	**-**	**-**	**1**	**-**	**-**	**(3)**	**(118)**	**(120)**	**12**	**(108)**
Shareholders' equity as at December 31, 2007	**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 on financial statements of foreign currency denominated subsidiaries	-	-	-	-	-	(102)	-	(102)	(21)	**(123)**
Change in hedging instrument revaluation reserve	-	-	-	-	(72)	-	-	(72)	4	**(68)**
Change in fair value of financial assets held for sale	-	-	-	(8)		-	-	(8)	-	**(8)**
Other items of comprehensive profit (loss) for the period	**-**	**-**	**-**	**(8)**	**(72)**	**(102)**	**-**	**(182)**	**(17)**	**(199)**
Total comprehensive profit (loss) for the period	**-**	**-**	**-**	**(8)**	**(72)**	**(102)**	**694**	**512**	**144**	**656**
Dividends distributed – €6.00 per share	-	-	-	-	-	-	(154)	(154)	(51)	**(205)**
Share capital increases	309,610	1	122	-	-	-	(5)	118	1	**119**
Treasury stock	-	-	-	-	-	-	(10)	(10)	-	**(10)**
Share-based payment	-	-	-	-	-	-	2	2	-	**2**
Changes in interests in subsidiaries	-	-	-	-	-	-	-	-	136	**136**
Other movements	-	-	-	-	-	-	(1)	(1)	-	**(1)**
Total transactions with shareholders	**-**	**1**	**122**	**-**	**-**	**-**	**(168)**	**(45)**	**86**	**41**
Shareholders' equity as at December 31, 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 adjustment on financial statements of foreign currency denominated subsidiaries	-	-	-	-	-	100	-	100	9	**109**
Change in hedging instrument revaluation reserve	-	-	-	-	78	-	-	78	11	**89**
Change in fair value of financial assets held for sale	-	-	-	14	-	-	-	14	-	**14**
Other items of comprehensive profit (loss) for the period	**-**	**-**	**-**	**14**	**78**	**100**	**-**	**192**	**20**	**212**
Total comprehensive profit (loss) for the period	**-**	**-**	**-**	**14**	**78**	**100**	**(265)**	**(73)**	**24**	**(49)**
Dividends distributed – €5.25 per share	-	-	-	-	-	-	(136)	(136)	(27)	**(163)**
Share capital increases	407,467	1	47	-	-	-	26	74	-	**74**
Capital reduction	(252,885)	(1)	(51)	-				(52)		**(52)**
Treasury stock	-	-		-		-	58	58	-	**58**
Share-based payment	-	-		-		-	2	2	-	**2**
Changes in interests in subsidiaries	-	-		-	-	-	-	-	(97)	**(97)**
Other movements	-	-		-	-	-	1	1	(1)	**-**
Total transactions with shareholders	**-**	**-**	**(4)**	**-**	**-**	**-**	**(49)**	**(53)**	**(125)**	**(178)**
Shareholders' equity as at December 31, 2009	**26,369,813**	**80**	**341**	**6**	**24**	**(32)**	**2,116**	**2,535**	**970**	**3,505**

Translation adjustments relate to 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 21).

Premiums essentially relate to issue premiums, representing the difference between the par value of the shares issued (Note 14) and the amount of the cash or in-kind contributions received on issue. In 2008, €118 million related to the premium associated with the capital increase carried out as part of the acquisition of Eralloys Holding A/S and Tinfos A/S (Note 2).

The change in the hedging instrument revaluation reserve mainly concerns the recognition of cash flow hedges in application of IAS 32 and IAS 39. It is offset in "Hedging instruments" under assets or liabilities, depending on whether hedging gains or losses are recognised (Note 21).

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 profit (loss) for the period (Note 21).

ERAMET treasury stock is shown in the "Other reserves" column and measured at purchase cost (Notes 14 and 28) for -€9 million (-€63 million as of December 31, 2008). The change was mainly due to the cancellation of 252,885 shares for €52 million (Note 14).

The reserves called "Assets held for sale" include the cumulative changes to the fair value of the obligations classified as "Other current financial assets" (Notes 3 and 13).

6.1.2. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.1.2.1. 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 as well as by the provisions of its Articles of Association. As required by law, the company is audited by two Statutory Auditors and two alternate auditors.

Via its subsidiaries and investments in associates, the ERAMET group operates in the nickel and manganese mining and production sectors, as well as in the alloys production sector, in which it is amongst the market leaders. A detailed description of the ERAMET group's activities is presented in Note 1.4 on segment reporting.

ERAMET's shares have been traded on the Euronext Paris Deferred Settlement System (SRD) since March 28, 2006. On January 2, 2008, ERAMET joined the Euronext Paris N100 index.

The ERAMET group's consolidated financial statements for the year ended December 31, 2009, were reviewed by the Audit Committee on February 16, 2010 and approved by the Board of Directors on February 17, 2010. They will be submitted for the approval of the General Shareholders' Meeting of May 20, 2010.

Note 1. Accounting principles and measurement methods

1.1. GENERAL PRINCIPLES AND COMPLIANCE DECLARATION

Pursuant to European Regulation 1606/2002 of July 19, 2002 on the international standards, the consolidated financial statements of the ERAMET group for the financial year ended December 31, 2009, have been prepared in millions of euros in accordance with IFRS (International Financial Reporting Standards) as approved by the European Union as of December 31, 2009. 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 as of December 31, 2009 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 January 1, 2009 are:

Application of the revised IAS 1 standard "Presentation of Financial Statements" affects the presentation of financial statements for all periods presented. The changes concern terminology changes and the following presentations:

- the balance sheet becomes the "Statement of financial position";
- the income statement is replaced by a "Statement of comprehensive income" that includes the profit (loss) for the period and the other income and expenses recognised directly in shareholders' equity.

The amendment to IFRS 7 – Improvement to financial instrument disclosures, which requires additional information on fair value measurement, and, in particular, presentation of the fair values of financial instruments recognised at fair value, by type of instrument, on the basis of the three-level hierarchy and disclosure of material transfers from one level to another along with explanations. The amendments also clarify the disclosures to be made in the notes on liquidity risks. This information is presented in Note 21 – Risk management and derivatives.

IFRS 8 "Operating Segments", which is mandatory for periods beginning on or after January 1, 2009 does not significantly affect the consolidated financial statements (see Note 1.4 – Operating Segments).

The other amendments to standards and interpretations that come into force on January 1, 2009 are not applicable to the Group or do not significantly affect the Group's consolidated financial statements. This concerns:

- revised IAS 23 "Borrowing Costs" that makes it mandatory to include borrowing costs in the cost price of qualifying assets;
- the amendments to IAS 1/IAS 32 "Puttable financial instruments and obligations arising on liquidation";
- the amendments to the amended IFRS 2 "Share-based payment" on vesting conditions and cancellation;
- the amendments to IFRIC 9/IAS 39 on embedded derivatives (applicable to periods ending on or after June 30, 2009);
- the amendments resulting from the annual IFRS improvements published in May 2008, with the exception of the two amendments to IFRS 5;
- IFRIC Interpretation 11/IFRS 2 "Group and Treasury Share Transactions";
- IFRIC Interpretation 13 "Customer Loyalty Programmes";
- IFRIC interpretation 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction".

The ERAMET group did not elect to adopt early any standards or interpretations, the application of which was not mandatory as of January 1, 2009, namely:

- IFRS 3 "Business Combinations" revised and applicable to periods beginning on or after July 1, 2009;
- IAS 27 "Consolidated and Separate Financial Statements" amended and applicable to periods beginning on or after July 1, 2009;
- Amended IAS 39 "Financial Instruments: Eligible hedged items" applicable as of July 1, 2009;
- IFRIC interpretation 12 "Concessions" applicable to periods beginning on or after March 29, 2009;
- IFRIC Interpretation 15 "Agreements for the Construction of Real Estate";
- IFRIC Interpretation 16 "Hedges of a Net Investment in a Foreign Operation";
- the amendments to IFRIC 9/IAS 39 on "Embedded derivatives" applicable to periods ending on or after June 30, 2009;
- the amendments to IFRS 2 "Group Cash-settled Share-based Payment Arrangements" applicable as from January 1, 2010;
- the amendments to IAS 32 on the classification of subscription rights applicable as from February 1, 2010;
- revised IFRS 9 "Financial Instruments" applicable as of January 1, 2013;
- revised IAS 24 on disclosures on related parties applicable as from January 1, 2011;
- IFRIC Interpretation 17 "Distribution of non-monetary assets to shareholders" applicable as of July 1, 2009;
- IFRIC interpretation 18 "Transfer of assets from customers" applicable as of July 1, 2009.

The ERAMET group is currently analysing the potential impact of these changes to the standards on the consolidated financial statements.

1.1.1. Judgements and estimates

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 with regard to economic conditions. As a result of changing assumptions and conditions, the amounts in future financial statements may differ from current estimates.

The main line items affected by changes to estimates are provisions for employee benefits and for site restoration, deferred tax 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. In the event the recoverable amount is below the net carrying amount, an impairment loss is recorded for the difference. The value in use is determined by applying the method of future cash flows expected from the use of the assets or their disposal over a five-year period with a terminal value (Note 1.10).

Employee 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 plan assets, 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 16).

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 funded, 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 17.5). In the absence of regulatory and constructive obligations, the sites for which the end of their operation is not determined are not provided for (Note 1.19).

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 18). These deferred tax assets are recognised whenever it is likely that the ERAMET group will have sufficient future taxable profit to absorb these temporary differences and tax losses. The Group's ability to recover these recognised deferred tax assets is primarily estimated on the basis of future forecast profitability for each fiscal 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 if the new method had always been applied.

Once an error is detected, it is likewise adjusted retrospectively.

Changes to estimates are recorded 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 presented 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 include other assets and liabilities, namely those with maturities longer than 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 8). 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 in consolidation.

1.3. BUSINESS COMBINATIONS

The Group recognises business combinations using the purchase method. The assets, liabilities and contingent liabilities of an acquired company are measured at their fair value and valuation differences are charged to the relevant assets and liabilities, including for the share of minority interests. Any difference between the cost of the business combination and the share in the net fair value of the assets, liabilities and identifiable contingent liabilities is recognised as goodwill under assets in the statement of financial position (Note 1.6).

When ERAMET group acquires assets and liabilities from minority interests in a company already controlled, no additional fair value restatement is recognised and the difference between the purchase price and carrying amount of the net assets acquired is recognised in goodwill (Note 1.6).

1.4. OPERATING SEGMENTS

Pursuant to IFRS 8 "Operating Segments", segment reporting is drawn up on the basis of internal management data used to analyse the performance of activities and for the allocation of resources by the Executive Committee that constitutes the Group's main operational decision-making body.

An operating segment is a distinct component of the Group that supplies distinct products or services and is exposed to risks and profitability that differ from those faced by other operating segments.

Each operating segment is monitored individually for internal reporting purposes based on performance indicators common to all segments. The management data used to evaluate the performance of a sector is prepared on the basis of the IFRS principles applied by the Group in its consolidated financial statements.

The segments presented in the segment reporting are operating segments or combinations of similar operating segments. This relates to 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, cobalt and tungsten powders);
- the Manganese Division, including mining, production and sales subsidiaries focussed on manganese alloys (ferromanganese, silicomanganese and refined alloys) and manganese chemical derivatives (oxides, sulphate, chloride). The Manganese Division also includes subsidiaries that provide services to industry for the recovery and recycling of metals contained in oil catalysts, electric batteries and acid solutions from the electronics industry;
- the Alloys Division, including subsidiaries that produce and sell 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 central support functions as well as the financial companies Metal Securities (cash management) and Metal Currencies (exchange rate risk management) and the captive reinsurance company Eras SA. Commercial relationships between the divisions are not material. The main relationships primarily relate to the billing of management fees and financial transactions.

Other relationships relate to the Eras SA reinsurance company and the financial companies Metal Securities and Metal Currencies, all three of which are fully consolidated at 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 investments 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 profit (loss) for the period (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 "Translation adjustments" 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 items in the statement of financial position, except for shareholders' equity, for which historical rates are applied. Items in the statement of comprehensive income and cash flow statement are translated at the average rate over the period. Goodwill arising from an acquisition is considered part of the acquiree and therefore denominated in its functional currency; it is thus translated in the same way as the other items in the statement of financial position. Translation adjustments stemming from fluctuations in the currencies used to translate shareholders' equity and total comprehensive profit (loss) for the period are allocated to reserves. Translation adjustments are carried as a change to shareholders' equity and broken down between Group and minority interests. Where a foreign subsidiary is deconsolidated, the cumulative amount of translation adjustments is recognised in profit (loss) for the period under "Other finance income and expenses" (Note 25.2).

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 acquiree. The residual, unallocated portion is recognised as "Goodwill" under assets in the statement of financial position. 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 subject to an impairment test 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 net profit (loss) for the period under "Other operating income and expenses" (Note 24).

Further acquisitions of interests in companies that are already controlled are recognised as goodwill equal to the difference between the acquisition price and the carrying amount of the minority interests received.

Goodwill in associates is recognised under investments in associates (Note 8).

The Group's commitments to buy out minority interests in its subsidiaries are, where appropriate, recognised as financial liabilities pursuant to IAS 32 – Financial Instruments. The difference between the value of the minority interests and the present value of the buyout option is recognised in goodwill at the expiry date of the put. Subsequent changes in the liability up to the exercise of the put are also recognised in goodwill.

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 23.1).

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 annual production *vis-à-vis* the reserves initially estimated or the length of the concession (Note 5). 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 these resources. Geological and mining expenses are treated as research and development expenditure and include, if applicable, any exploration royalties as per IFRS 6 – Exploration for and Evaluation of Mineral Resources (Note 1.8).

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 is recorded (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, when and only when:

- 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;
- 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 5).

Geology, exploration, prospecting and mining research expenses incurred prior to operation are recognised as intangible assets under "mineral deposits" (Note 5). Geology expenses for mining sites already in operation are recognised in income under "Research and development expenditure" (Note 1.24). In line with IFRS 6 – Exploration for and Evaluation of Mineral Resources, royalties paid for mining prospecting and exploration are capitalised as intangible assets (Note 5). 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 statement of financial position at acquisition or production cost (Note 6). 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	between 10 and 50 years
Industrial and mining facilities	between 5 and 50 years
Other intangible assets	between 2 and 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 lifespan. Major repairs are deemed to be components of items of property, plant and equipment. Borrowing costs that can be directly ascribed to acquisition or production of an asset are incorporated into the cost of the asset, when they are significant.

A provision is funded upon start-up of operations for the restoration of mining sites, offsetting a component of an item of property, plant and equipment depreciated on a straight-line basis over the course of the operation of the mine.

Mine stripping costs are capitalised under property, plant and equipment and depreciated on the basis of mined tonnage (Note 6).

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 19). 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 pursuant to IAS 17 – Leases.

All items of property, plant and equipment have been allocated to cash generating units (CGUs) (Note 1.10). Where the net carrying amount of an item of property, plant and equipment exceeds its recoverable amount, an impairment loss is recorded (Note 1.10).

1.10. IMPAIRMENT OF ASSETS

As per IAS 36 – Impairment of assets, impairment tests are performed systematically at least once a year at the annual balance sheet date for goodwill and intangible assets with indefinite lives, and whenever 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 net carrying amounts and recognised in profit (loss) for the period under "Other operating income and expenses" (Note 24). 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 and multiyear budgets prepared by management at the business segments in question. These plans are created on the basis of 5-year projections plus a terminal value relating to the capitalisation to infinity of the cash flows deriving essentially from the last year of the plan. The discount rate used to establish the value in use is the Group's average cost of capital, which is 12% for the mining activities and 10% for the metallurgy activities (compared to global rates: 10% in 2008 and 9% in other periods since 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 have been allocated to cash generating units (CGUs). Cash generating units (CGUs) are homogenous groupings of assets, the use of which continues to generate cash inflows that are largely independent of cash inflows generated by other assets or group of assets. The ERAMET group has identified its cash generating units (CGUs) on the basis of various production sites of the three main businesses: nickel, manganese and alloys (Note 7).

1.11. OTHER NON-CURRENT FINANCIAL ASSETS

Other non-current financial assets include available for sale financial assets (Notes 1.11.1 and 9) and other investments (Notes 1.11.2 and 10).

1.11.1. Available for sale financial assets

These assets primarily comprise equity interests in non-consolidated subsidiaries (Note 9) and are measured at fair value. Investments in entities that are controlled but not consolidated are recognised at their acquisition cost, less any impairment losses. Where there are objective indications of a

material or permanent impairment of such investments, the impairment loss is recognised in profit (loss) for the period under "Other finance income and expenses" (Note 25.2).

Other investments are deemed to be available for sale financial assets and recognised at fair value. These investments relate to 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, in the absence of this, based on the Group share in the company's shareholders' equity.

1.11.2. Other non-current financial assets

Other investments (Note 10) 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 profit (loss) for the period under "Other finance income and expenses" (Note 25.2).

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 asset group, and the directly related liabilities, are considered as held for sale where their carrying amount will be recovered from their sale and not their continued use. They must be immediately available and the sale highly 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 defined as a material Group activity subject to disposal or classification in 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 account of any adjustments to their fair value less selling costs.

1.13. INVENTORIES

Inventories are measured using the weighted average cost or FIFO (first in, first out) method.

Inventories and work in progress are assessed at cost price and only include production costs, without nevertheless exceeding the realisable value. Costs stemming from sub-normal capacity usage are eliminated from inventory measurement at the end of the period.

The impairment of spare parts that do not qualify for capitalisation is calculated on the basis of their use during the year. Spare parts inventory in excess of one year's use is fully impaired.

Fixed production costs for a recognised or planned sub-normal capacity usage are not included in inventories and represent current operating expenses for the period in which they are incurred. The sub-normal capacity usage is determined when actual production volumes are 10% under normal production volumes (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 remeasured at each balance sheet date at amortised cost using the effective interest rate method. The effective interest rate relates to the rate that precisely discounts the expected future cash movements. Foreign currency receivables and debts are remeasured at the rate prevailing on the last day of the period. Resultant translation adjustments are recognised in the income statement as exchange differences under current operating profit (loss) or net borrowing cost, depending on the type of receivable or debt.

Impairment losses are recognised for receivables where it is more than likely that they will not 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 profit (loss) for the period under "current operating profit (loss)" (Note 22), reduces the nominal amount.

Receivables disposed of under securitisation contracts are deconsolidated from the balance sheet as per IAS 39 – Financial Instruments when the Group has transferred the contractual rights to receive the future cash flows and substantially all the risks and rewards relating to these receivables were transferred to the transferee. When risks are retained and do not call for the deconsolidation of the receivables, they are maintained in the balance sheet and recognised under other operating receivables along with the corresponding security deposits (Note 12).

Disposals with recourse against the transferor in the event of default on the receivable may not be totally deconsolidated and are thus kept in the balance sheet.

1.15. OTHER CURRENT FINANCIAL ASSETS

These assets primarily comprise securities (Note 13.1) that do not meet the criteria for cash equivalents as defined by IAS 7. These securities are measured at fair value upon initial recognition. The fair value corresponds to the stock market value for listed securities and, for unlisted securities, to estimates based on financial criteria specific to the particular situation of each security (similar transactions or present value of future cash flows). Changes in the fair value of these assets are recognised in transferable shareholders' equity under "Change in fair value of financial assets held for sale". When there are objective indications of a material or permanent impairment of such securities, the cumulative impairment previously recognised in shareholders' equity is transferred to profit (loss) for the period under "Other finance income and expenses" (Note 25.2).

1.16. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and demand deposits, excluding bank overdrafts, which appear under financial liabilities. Cash equivalents correspond to marketable securities and relate to investments held to meet short-term cash requirements and are not considered as held to maturity.

Marketable securities of under three months are recognised at their fair value in the statement of financial position 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 fluctuations in value. Fair value changes are recognised in profit (loss) for the period under "net borrowing cost" (Note 25.1).

1.17. EMPLOYEE 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 covering assets are assessed independently. The defined benefit pension plans are measured using the actuarial projected unit credit method. The provision recorded 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 top notch companies with a maturity equivalent to that of the liabilities on the measurement date. Discount rates were determined for the euro zone, the UK and the US using a tool developed by our actuary. This tool contains hundreds of top-rated corporate bonds with maturities of one to thirty years (by way of prudence, the return on later flows is deemed to be equal to that on the furthest flow existing on the market). The expected service flows are then discounted based on the average rates for each maturity. Lastly, the tool generates a single rate that, when applied to all expected flows, gives the same present value of the future flows. In countries where the AA+ rated corporate bond market is not sufficiently liquid, such as in Norway or Sweden, IAS 19 – Employee benefits requires the use of government bond yields having regard to the maturity of the bonds. 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 rights 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.

Provisions are recognised for non-recoverable levies on dividends planned with respect to the previous financial year. Deferred tax assets and liabilities are recognised as assets or liabilities in the statement of financial position (Note 18). Deferred tax is deemed to be non-current and classified as such.

In the statement of financial position, deferred tax assets and liabilities are netted by tax entity, namely by the legal entity or tax consolidation group (Note 18).

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.

1.19. PROVISIONS

Provisions are recorded, 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 to the expected end of mining operations and the reversal of discounting is recognised in profit (loss) for the period under Other finance income and expenses (Note 25.2).

As regards industrial sites, insofar as there are no plans to discontinue operations, no provision is recognised for site restoration.

Provisions are funded for the cost of restructuring and redundancy plans where these measures have been described in a detailed plan and announced before the cut-off date or are in the process of being implemented

1.20. RECOGNITION OF FINANCIAL INSTRUMENTS

Financial instruments are recognised in the financial statements as per IAS 39 – Financial Instruments – Recognition and measurement.

Risks: The Group uses financial instruments to hedge certain risks. To manage its foreign currency risk, the Group uses foreign currency forwards, foreign currency swaps and, to a lesser extent, foreign currency options. Foreign currency forwards are recorded as hedges to the extent the Group has defined and documented the hedging relationship and demonstrated its effectiveness. Interest rate risk is generally managed using interest rate swaps. 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 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 included in the statement of financial position as assets or liabilities (Note 21).

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 for hedging are recognised in profit (loss) for the period.

The Group identifies the hedging item and hedged item when the hedge is set up and formally documents the hedging relationship by identifying the hedging strategy, the hedged risk and the hedge effectiveness measurement method:

- fair value hedge: the hedged item is remeasured in respect of the hedged risk and the hedging instrument is measured and recognised at fair value. Changes in these two items are simultaneously recognised under operating profit (loss);
- cash flow hedge: the hedged item is not remeasured. Only the hedging instrument is remeasured at fair value. To offset the remeasurement, the effective portion of the change in fair value that can be ascribed to the hedged risk is recognised net of tax in shareholders' equity. The cumulative shareholders' equity amounts are transferred to profit (loss) for the period when affected by the hedged item. The ineffective portion is retained in income for the period;
- recognition of derivatives ineligible for hedge accounting: the company only uses these derivatives to hedge future cash flows. Changes in fair value are immediately recognised in net finance income.

Pursuant to the revised IFRS 7, the fair values of financial instruments are recognised on the basis of the three-level hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: Quoted prices in active markets for similar instruments or another valuation technique based on market observables;
- Level 3: Valuation technique including market unobservables.

1.21. CONCESSION

The "Transgabonais" railway concession is 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 funded 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 22);
- other income includes other revenue assigned to current operating profit (loss) (Note 22) such as translation adjustments on sales, capitalised production, lease income, operating subsidies and insurance premiums received;
- interest income recognised in profit (loss) for the period under "Net borrowing costs" (Note 25.1);
- dividends included in profit (loss) for the period under "Other finance income and expenses" (Note 25.2).

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 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 November 7, 2002 that had not vested by January 1, 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

Pursuant to Paragraphs 88 and 89 of IAS 1, ERAMET presents its statement of comprehensive income on the basis of the mixed "function/nature" approach, so as to match the Group's internal management reporting. The ERAMET group specifically uses EBITDA and current operating profit (loss) as performance indicators. EBITDA includes the gross profit (difference between sales and the cost of sales), administrative and selling expenses and research and development expenditure before depreciation, amortisation and provisions, which are presented separately. Current operating profit (loss) includes EBITDA, depreciation, amortisation and provisions; it consists in particular of the cost of employee liabilities including the financial component, the cost of employee profit-sharing and translation adjustments between the rates upon recognition and those at the balance sheet date (trade receivables and payables).

Other operating income and expenses 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. It primarily consists of:

- restructuring costs;
- capital gains/losses or impairment losses on assets;
- impairment losses on goodwill, intangible assets and property, plant and equipment.

1.25. NET FINANCE INCOME

Net finance income consists of the following items:

- net borrowing costs, these being income statement items relating to balance sheet components of net borrowing, namely, financial liabilities and cash and cash equivalents; and,
- other finance income and expenses, such as dividends, provisions for securities, the reversal of discounting and gains/losses on hedging instruments that do not qualify as per IAS 39.

1.26. BASIC 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 in the period. This average number of shares outstanding excludes treasury stock.

Diluted earnings per share are obtained by adjusting Group profit (loss) for the period and the number of shares for potentially dilutive effects, mainly represented by employee subscription and purchase option plans (stock options).

1.27. RISKS

Environmental risks: Where there is a legal or contractual obligation to restore mining sites, a restoration provision is recorded, offset by a dismantling asset. The provision is based on site-by-site estimates of the cost of this work, the total cost being apportioned over the life of the operation of the mine (Notes 1.9, 1.19, 6 and 17.5).

Provisions are funded for any other environmental contingencies on the basis of estimated future costs without, however, making any allowance for insurance indemnities receivable (Note 17.5).

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 top notch 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 for hedging are recognised in profit (loss) for the period.

All transactions outstanding at the balance sheet date are recognised in the statement of financial position, with no offset (Note 21).

Foreign currency risks: when the exposure stemming 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 21). The Group also uses financial instruments to limit its exposure to foreign currency risks on its sales and certain costs in dollars.

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 21).

Commodity risks: The Group uses derivatives to reduce exposure. For this purpose, ERAMET mainly uses forwards, combined call and put options and call options (Note 21).

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 such as that from rating agencies and published financial statements. No systematic arrangement is therefore in place to hedge counterparty risk (Note 21).

Liquidity risk: The Group must repay its borrowings and pay its other liabilities. To cover these liquidity risks, ERAMET has additional sources of funding that include credit facilities and commercial paper (Note 21).

Note 2. Scope of consolidation

2.1. CHANGES IN SCOPE OF CONSOLIDATION

The scope of consolidation as of December 31, 2009 changed as follows from December 31, 2008:

2.1.1. Disposal of 33.4% of Strand Minerals (Indonesia) Pte Ltd

On February 19, 2009, ERAMET disposed of 33.4% of the shares in Singapore-based Strand Minerals (Indonesia) Pte Ltd that owns 90% of the Indonesian company Pt Weda Bay Nickel, to Mitsubishi Corporation for US$118 million (€93 million). Strand Minerals (Indonesia) Pte Ltd is fully consolidated up to 66.6% as from the disposal. ERAMET also received US$27 million (€20 million) for its share in the geology expenses for the mining project in Indonesia that were initially financed by ERAMET. In parallel with the sale agreements, ERAMET granted Mitsubishi Corporation put options over the shares acquired. These options may be exercised under certain conditions mainly associated with the success of the mining project. These options may be exercised over set periods of time, notably up to the date of the final project investment decision, set for 2012, unless the parties agree otherwise. The exercise price of these options was agreed and varies depending on the circumstances stipulated in the contracts (between US$118 and US$58 million), plus the resale of the Strand Minerals (Indonesia) Pte Ltd receivable. Furthermore, Mitsubishi Corporation has a put option regarding its interest in ERAMET at fair value in the event of a change of control at ERAMET without limitation in time. Similarly, ERAMET has a call option regarding the interest held by Mitsubishi Corporation in Strand Minerals (Indonesia) Pte Ltd at fair value in the event of a change of control at Mitsubishi Corporation without limitation in time. A €0.8 million capital gain on disposal was recognised in profit (loss) for the period (Note 25.2 – Other finance income and expenses) and the minority interests were recognised at €45 million (US$57 million). Deferred income of €47 million (US$60 million) was recorded under non-current liabilities in respect of the put options associated with the success of the mining project. This income will be recognised when the final project investment decision is made. Total liabilities (including the debt of US$27 million or €19 million as of December 31, 2009) *vis-à-vis* Mitsubishi Corporation thus amounted to €60 million (US$87 million) as of December 31, 2009.

2.1.2. Buyout of the minority interests in Eralloys Holding A/S

On May 14, 2009, ERAMET announced the completion of the second phase of its acquisition of the Norwegian company Eralloys Holding A/S, raising its interest to 94.3%. This acquisition was financed through the issue of 387,488 ERAMET shares.

On June 2, 2009, pursuant to Norwegian legislation, ERAMET carried out a "squeeze out" for the remaining 5.7% in consideration for the granting of 24,965 ERAMET shares and €10 million in cash.

Goodwill before allocation upon completion of this two-stage acquisition amounted to €206 million and ERAMET's interests in Eralloys Holding A/S and Tinfos A/S are now respectively 100% and 33.35%.

The provisional recognition of this business combination in the consolidated financial statements as of December 31, 2008 was changed as of December 31, 2009. Allocation of the acquisition price was mainly to intangible assets and property, plant and equipment assets for, respectively, €60 million (amortised over periods ranging between 6 and 10 years) and €20 million (depreciated over a period of 10 years) before deferred tax, based on assessments made in 2009 by independent experts. Residual goodwill amounts to €136 million (Note 4).

The main business combinations during the financial year were primarily represented by the increased interest taken in Eralloys Holding A/S, the details of which are as follows:

(millions of euros)	First phase	Second phase	**Total**
Acquisition price (consolidated amount)	400	88	**488**
Percentage acquired (% interest)	55.78%	44.22%	**1**
Acquisition date	30 July 2008	14 May 2009	**-**
Nature of consideration			
- cash	286	10	**296**
- issue of ERAMET shares (separate financial statements) (1)	119	50	**169**
- granting of ERAMET shares (separate financial statements) (1)	-	1	**1**
Number of ERAMET shares issued	241,491	387,488	**628,979**
Number of ERAMET shares granted	-	24,965	**24,965**
Voting rights conferred at issue	0.55%	0.88%	**1.43%**
Voting rights conferred on grant	-	0.06%	**0.06%**
Fair value of number of shares issued (consolidated financial statements) (1)	114	73	**187**
Fair value of the number of shares granted (consolidated financial statements) (1)	-	5	**5**
Goodwill/(negative goodwill) prior to allocation	229	(23)	**206**
Unallocated remaining goodwill/(negative goodwill)	-	-	**136**

(1) The measurement difference between ERAMET's consolidated financial statements and separate financial statements stemmed from the use of different stock market prices (separate financial statements: based on the price in the contribution agreement; consolidated financial statements: based on the stock market price on the day of the transaction).

2.2. LIST OF CONSOLIDATED COMPANIES AS OF DECEMBER 31, 2009

As of December 31, 2009, the scope of consolidation included 61 companies (as of December 31, 2008: 62), 59 fully consolidated companies, 1 proportionally consolidated company and 1 company accounted for under the equity method (associate) (as of December 31, 2008: all fully consolidated).

			Percentage (%)	
Company	Country	Consolidation method	control	interest
ERAMET	**France**	**Parent company**	**-**	**-**
Nickel				
Société 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 (Indonesia) Pte Ltd	Singapore	Fully consolidated	66.6	66.6
Pt Weda Bay Nickel Ltd	Indonesia	Fully consolidated	90	59.94
ERAMET Holding Nickel	France	Fully consolidated	100	100
Eurotungstène Poudres	France	Fully consolidated	100	100
Unimin Holding GmbH	Switzerland	Fully consolidated	100	100
Manganese				
ERAMET Holding Manganèse	France	Fully consolidated	100	100
ERAMET Comilog Manganèse	France	Fully consolidated	100	83.63
ERAMET Marietta Inc.	US	Fully consolidated	100	100
ERAMET Norway A/S	Norway	Fully consolidated	100	100
Eralloys Holding A/S	Norway	Fully consolidated	100	100
Tinfos Energi A/S	Norway	Fully consolidated	100	100
DNN Industrier A/S	Norway	Fully consolidated	100	100
ERAMET Titan A/S	Norway	Fully consolidated	100	100

Company	Country	Consolidation method	Percentage (%) control	Percentage (%) interest
ERAMET Titanium & Iron A/S	Norway	Fully consolidated	100	100
ERAMET Norway Kvinesdal A/S	Norway	Fully consolidated	100	100
Tinfos A/S	Norway	Equity method	33.35	33.35
Comilog SA	Gabon	Fully consolidated	67.25	67.25
Setrag SA	Gabon	Fully consolidated	83.88	56.66
Comilog Holding	France	Fully consolidated	100	67.25
Comilog International	France	Fully consolidated	100	67.25
Comilog Lausanne	Switzerland	Fully consolidated	100	67.25
Port Minéralier d'Owendo SA	Gabon	Fully consolidated	97.24	65.40
Erachem Comilog SA	Belgium	Fully consolidated	100	67.25
Comilog US	US	Fully consolidated	100	67.25
Gulf Chemical & Metallurgical Corp.	US	Fully consolidated	100	67.25
Bear Metallurgical Corp.	US	Fully consolidated	100	67.25
Gulf Chemical & Metallurgical Corp. Canada	Canada	Fully consolidated	100	67.25
Erachem Comilog Inc.	US	Fully consolidated	100	67.25
Comilog France	France	Fully consolidated	100	67.25
Comilog Dunkerque	France	Fully consolidated	100	67.25
Miner Holding BV	The Netherlands	Fully consolidated	100	67.25
Erachem Mexico SA	Mexico	Fully consolidated	100	67.25
Comilog Asia Ltd	Hong Kong	Fully consolidated	100	93.45
Comilog Asia Ferro Alloys Ltd	Hong Kong	Fully consolidated	100	93.45
Guangxi Comilog Ferro Alloys Ltd	China	Fully consolidated	70	65.42
Guilin Comilog Ferro Alloys Ltd	China	Fully consolidated	100	93.45
Guangxi ERAMET Comilog Chemicals Ltd	China	Fully consolidated	100	93.45
Comilog Far East Development Ltd	Hong Kong	Fully consolidated	100	93.45
ERAMET Comilog Shanghai Trading Co. Ltd	China	Fully consolidated	100	93.45
Alloys				
ERAMET Alliages	France	Fully consolidated	100	100
Erasteel	France	Fully consolidated	100	100
Erasteel Commentry	France	Fully consolidated	100	100
Erasteel Champagnole	France	Fully consolidated	100	100
Erasteel Kloster AB	Sweden	Fully consolidated	100	100
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	Proportionally consolidated	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

All companies within the scope of consolidation share the same balance sheet date of December 31.

Note 3. Presentation of the statement of financial position

The bonds formerly recognised under "Cash and cash equivalents" were reclassified under "Other current financial assets" for €144 million as of December 31, 2007. The statements of financial position and cash flow statements for the 2007 financial year were restated to take account of these changes.

Net cash as defined in Note 19.6 was unchanged.

Note 4. Goodwill

4.1. BY CATEGORY

(millions of euros)	12/31/2009	12/31/2008	12/31/2007
Eralloys Holding A/S & Tinfos A/S	**136**	229	-
ERAMET Norway A/S	**15**	13	15
Eurotungstène Poudres (Etp)	**6**	6	6
Erasteel Stubs Ltd	**-**	5	6
Port Minéralier d'Owendo SA	**-**	5	-
Bear Metallurgical Corp.	**-**	2	2
Aubert & Duval (Ad)	**3**	3	3
Other companies (less than a million euros)	**1**	1	1
Total	**161**	**264**	**33**
Of which impairment losses	(31)	(19)	(14)

Impairment losses were recognised on goodwill in Aubert & Duval and Erasteel Stubs Ltd (Alloys Division) for €8 million and €4 million, respectively, following impairment tests in 2003 and 2004. As of December 31, 2007, goodwill in the Mexican company Erachem Mexico SA (Manganese Division) was written off for €2 million.

4.2. CHANGES OVER THE PERIOD

(millions of euros)	FY 2009	FY 2008	FY 2007
At January 1	**264**	**33**	**36**
Business combinations	**(35)**	239	-
Other changes in scope	**-**	-	-
Impairment losses in period	**(10)**	(5)	(2)
Translation adjustments and other movements	**(58)**	(3)	(1)
At December 31	**161**	**264**	**33**

2008 business combinations included goodwill relating to the acquisition of the Norwegian company Eralloys Holding A/S of €229 million, and the additional interest in Port Minéralier d'Owendo SA in Gabon of €10 million. The latter triggered an impairment loss of €5 million, representing 50% of its value; the remainder being written off in 2009 to reflect the expiry of the ore port concession as of December 31, 2009. In 2009, the acquisition of an additional interest in the Norwegian company Eralloys Holding A/S accounts for the business combinations (Note 2). Based on the results of the impairment test for the Erasteel "High-Speed Steels" cash generating unit (CGU), the €5 million in residual goodwill at Erasteel Stubs Ltd was written off.

No other impairment loss was recognised as of December 31, 2009.

Note 5. Intangible assets

5.1. BY CATEGORY

(millions of euros)	Gross amounts	Amortisation	Impairment losses	Net amounts 12/31/2009	Net amounts 12/31/2008	Net amounts 12/31/2007
Mining reserves	414	(63)	-	**351**	329	292
Software	47	(43)	-	**4**	6	6
Other intangible assets	91	(17)	(2)	**72**	5	10
Work in progress, down-payments	5	-	-	**5**	5	1
Total	**557**	**(123)**	**(2)**	**432**	**345**	**309**

5.2. CHANGES OVER THE PERIOD

(millions of euros)	FY 2009	FY 2008	FY 2007
At January 1	**345**	**309**	**320**
Business combinations	**-**	-	-
Other changes in scope	**-**	-	-
Capital expenditure over the period	**42**	32	20
Amortisation, depreciation and impairment losses over the period	**(10)**	(8)	(8)
Translation adjustments and other movements	**55**	12	(23)
At December 31	**432**		
- Gross amounts	**557**	452	409
- Amortisation & depreciation	**(123)**	(107)	(100)
- Impairment losses	**(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 related to Gabon (Manganese Division), New Caledonia and Indonesia (Nickel Division), for €37 million, €14 million and €300 million, respectively (€39 million, €15 million and €275 million as of December 31, 2008).

Investments include geology and exploration or prospecting expenses incurred prior to the start-up of operations of mining sites, capitalised in line with IAS 38. ERAMET did not pay any royalties for prospecting or exploring as per IFRS 6.

Investments for the period (€42 million) were essentially comprised of expenses in Indonesia (Pt Weda Bay Nickel) of €34 million (€25 million in 2008), and software of €2 million (€4 million in 2008).

In 2009, intangible assets classified as work in progress and related to the "Niobium" project were written down by €2 million.

No other impairment loss was recognised in 2009.

5.3. RESEARCH & DEVELOPMENT EXPENDITURE - EXPENSES DURING THE PERIOD

(millions of euros)	12/31/2009	12/31/2008	12/31/2007
Non-capitalised research and development expenditure	**39**	58	37
of which, geological expenses:			
- Nickel	**12**	19	12
- Manganese	**-**	-	-
Percentage of sales	**1.5%**	1.3%	1.0%

Ordinary expenses for mining sites already opened or in operation (Nickel and Manganese Divisions) are not capitalised and are expensed in the financial year in which they are incurred.

Note 6. Property, plant & equipment

6.1. BY CATEGORY

(millions of euros)	Gross amounts	Amortisation	Impairment losses	Net amounts 12/31/2009	Net amounts 12/31/2008	Net amounts 12/31/2007
Land and buildings	793	(425)	(11)	**357**	292	261
Industrial and mining facilities*	2,538	(1,423)	(111)	**1,004**	968	824
Other property, plant and equipment	529	(308)	(1)	**220**	190	164
Work in progress, down-payments	216	(1)	(1)	**214**	313	256
Total	**4,076**	**(2,157)**	**(124)**	**1,795**	**1,763**	**1,505**
** Of which:*						
- Capital grants deducted				**-**	(1)	(1)
- Dismantling assets – site restoration (Note 17.5)				**76**	79	69

Capital grants deducted from items of property, plant and equipment mainly relate to the strategic capital expenditure programmes discussed in Section 6.3., details of which are set out below:

(millions of euros)	12/31/2009	12/31/2008	12/31/2007
40,000-ton press – Aubert & Duval	**-**	(1)	(1)
Other	**-**	-	-
Total	**-**	**(1)**	**(1)**

6.2. CHANGES OVER THE PERIOD

(millions of euros)	FY 2009	FY 2008	FY 2007
At January 1	**1,763**	**1,505**	**1,331**
Business combinations	**(6)**	101	-
Other changes in scope	**-**	-	-
Capital expenditure over the period	**244**	387	299
Capital grants received	**-**	-	-
Disposals over the period	**(3)**	(10)	(8)
Amortisation, depreciation and impairment losses over the period	**(242)**	(221)	(158)
Translation adjustments and other movements	**39**	1	41
At December 31	**1,795**	**1,763**	**1,505**
- Gross amounts	**4,076**	3,887	3,414
- Amortisation & depreciation	**(2,157)**	(2,034)	(1,859)
- Impairment losses	**(124)**	(90)	(50)

Based on the results of impairment tests performed in prior periods, property, plant and equipment, primarily in the Manganese and Alloys Divisions, were respectively written down by €28 and €17 million. In 2008, the Manganese Division recycling business was the subject of a €31 million writedown following an impairment test. €4 million in additional writedowns was recognised for the "Special Products" business in the United States. A €7 million writedown was recognised for assets no longer used in the Nickel Division. In 2009, following an impairment test on the Erasteel "High-Speed Steels" business, a €42 million writedown was recorded.

The recognition of liabilities for mining site restoration in New Caledonia (Nickel Division) and decontamination of impoundments in the US (Manganese Division) gave rise to the establishment of a specific component to offset site restoration provisions (Note 17.5).

6.3. BREAKDOWN OF MAIN STRATEGIC CAPITAL EXPENDITURE PROGRAMMES

(millions of euros)	FY 2009	FY 2008	FY 2007
Nickel production expansion – Société Le Nickel-SLN	**3**	7	33
Manganese production expansion – Comilog SA	**20**	31	11
EMD plant in China – Guangxi ERAMET Comilog Chemicals Ltd	**8**	1	3
Titanium ingot manufacturing plant – UKAD	**1**	-	-
Catalyst calcination plant in Canada – Gulf Chemical & Metallurgical Corp.	**-**	13	26
40,000-ton press – Aubert & Duval	**-**	-	-
Steel production plant in China – Erasteel Innovative Materials Ltd	**-**	-	6
Total	**32**	**52**	**79**

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:

(millions of euros)	Gross amounts	Amortisation	Impairment losses	Net amounts 12/31/2009	Net amounts 12/31/2008	Net amounts 12/31/2007
40,000-ton press – Airforge	77	(12)	-	**65**	68	72
Industrial facilities – Aubert & Duval	15	(12)	-	**3**	3	4
Administrative buildings – Aubert & Duval	7	(3)	-	**4**	4	5
53rd floor Tour Montparnasse – ERAMET	5	(2)	-	**3**	3	3
Total	**104**	**(29)**	**-**	**75**	**78**	**84**

Future finance lease payments are presented in Note 19 – Borrowings.

Note 7. Impairment of assets

As of December 31, 2009, the ERAMET group was divided into 20 cash generating units (CGUs) corresponding to the various production sites of the three businesses:

- 3 CGUs in the Nickel Division;
- 14 CGUs in the Manganese Division;
- 3 CGUs in the Alloys Division.

The main goodwill values included in the net carrying amounts of the cash generating units (CGUs) tested at December 31, 2009 are as follows:

	12/31/2009		12/31/2008		12/31/2007	
(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	**151**	**(14)**	249	(7)	17	(2)
- "Recycling" business	**-**	**(2)**	2	-	2	-
- Port Minéralier d'Owendo SA	**-**	**(10)**	5	(5)	-	-
- Erachem Mexico	**-**	**(2)**	-	(2)	-	(2)
- Norwegian business (incl. Tinfos)	**151**	**-**	242	-	15	-
Alloys Division	**4**	**(17)**	9	(12)	10	(12)
- "High-speed steels" business	**-**	**(9)**	5	(4)	6	(4)
- "Rolled forged manufactured products" business	**3**	**(8)**	3	(8)	3	(8)
- "Closed-die forged product" business	**1**	**-**	1	-	1	-
Total	**161**	**(31)**	**264**	**(19)**	**33**	**(14)**

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 the mining activities,
  - 10% for the metallurgy activities;
- cash flows are prepared over five years taking into account a terminal value. The growth rates used are the same as those used in budgets; the perpetuity growth rates used for the terminal values are between 0% and 1%, depending on the cash generating units (CGUs).

The main impairment losses recognised were as follows:

	Net carrying amount before impairment			Value in use or fair value		
(millions of euros)	**12/31/2009**	12/31/2008	12/31/2007	12/31/2009	12/31/2008	12/31/2007
Cash generating units						
Manganese Division	**159**	164	77	98	99	49
- "Special products" business	**24**	25	52	-	-	33
- "Recycling" business	**113**	115	-	88	83	-
- Erachem Comilog SA	**14**	16	17	2	16	16
- Comilog Dunkerque	**8**	8	8	8	-	-
Alloys Division	**90**	37	32	30	23	19
- "High-speed steels" business	**90**	37	32	30	23	19
Individual assets						
Nickel Division	**-**	7	-	-	-	-
Manganese Division	**5**	10	-	-	5	-
Alloys Division	**3**	3	3	-	-	-
Total	**257**	**221**	**112**	**128**	**127**	**68**

The values shown in this statement include the goodwill, intangible assets and property, plant and equipment of the relevant cash generating units (CGUs).

Impairment losses on goodwill amounted to €12 million compared to €19 million (Note 4) and on property, plant and equipment to €124 million compared to €90 million (Note 6). The changes were primarily due to the following items:

Cash generating units:
Changes in impairment for the main cash generating units (CGUs) are as follows:

	FY 2009				FY 2008			
(millions of euros)	**Total**	Goodwill	Intangibles	PP&E	Total	Goodwill	Intangibles	PP&E
At January 1	**(79)**	**-**	**-**	**(79)**	**(41)**	**-**	**-**	**(41)**
- Impairment losses over the period	**(44)**	(5)	-	(39)	(34)	-	-	(34)
- Translation adjustments and other movements	**2**	(2)	-	4	(4)	-	-	(4)
At December 31	**(121)**	**(7)**	**-**	**(114)**	**(79)**	**-**	**-**	**(79)**

Impairment losses in the Manganese Division primarily included a €31 million writedown at the recycling business in 2008 and a €4 million in writedowns at the "Special products" business in the US (Notes 6 and 24). In 2009, impairment losses were reversed for certain activities: recycling business (€7 million) and Comilog Dunkirk (€8 million), while, for Erachem Comilog SA in Belgium, an additional impairment loss of €12 million was recorded.

In 2009, impairment in the Alloys Division mainly concerned the €47 million Erasteel "High-Speed Steels" business (Notes 4, 6 and 24).

There were no other material writedowns in 2009.

Individual assets:
The impairment losses/indications of impairment in respect of individual assets at the Alloys Division related to the shutdown of a production line in Sweden, unchanged on previous years.

The €7 million writedown recognised for the Nickel Division in 2008 mainly related to unused property, plant and equipment (Note 24). In the Manganese Division, the Gabonese company Port Minéralier d'Owendo SA was the subject of a €5 million impairment loss (Notes 4 and 24) in 2008 and in 2009.

No other material impairment losses were recognised as of December 31, 2009.

Changes in discount rates or growth rates would affect the fair value tests performed and recognised in 2009 (Note 24 – Other operating income and expenses), offset in pre-tax profit (loss) for the period, summarised below:

	Discount rate		Growth rate	
(millions of euros)	+1%	-1%	+0.1%	-0.1%
Cash generating units				
Manganese Division	(14)	17	1	(1)
Alloys Division	(12)	14	1	(1)
Total	**(26)**	**31**	**2**	**(2)**

For the other cash generating units (CGUs) not concerned by impairment as of December 31, 2009, a 1% increase in the discount rates would not lead to additional impairment. The discount rate changes required for the recognition of minimum impairment are presented below:

	Changes in discount rates
Nickel Division	+2% approx.
Manganese Division	between +1% to +3% approx.
Alloys Division	+3% approx.

Note 8. Investments in associates

8.1. BY CATEGORY

(millions of euros)				Share of shareholders' equity		
Company	Country	% interest	Share of profit (loss)	12/31/2009	12/31/2008	12/31/2007
Port Minéralier d'Owendo SA	Gabon	-	-	-	-	1
Tinfos A/S	Norway	33.35%	-	21	-	-
Total			-	21	-	1

The Gabonese company Port Minéralier d'Owendo SA, previously accounted for under the equity method at 36.35%, has been fully consolidated since October 1, 2008, following the acquisition of an additional 60.89% interest.

Following the completion of the second phase announced on May 14, 2009, the interest in Tinfos A/S went from 55.78% to 33.35% (Note 2).

8.2. CHANGES OVER THE PERIOD

(millions of euros)	FY 2009	FY 2008	FY 2007
At January 1	-	1	3
Business combinations	20	-	-
Other changes in scope	-	-	(1)
Capital expenditure over the period	-	-	-
Disposals over the period	-	-	-
Share of profit (loss) for the period	-	-	-
Dividends paid	-	(1)	(1)
Translation adjustments and other movements	1	-	-
At December 31	21	-	1

Note 9. Non-consolidated subsidiaries

9.1. BY CATEGORY

(millions of euros) Company	Country	% interest	Gross amounts	Impairment	**Net amounts 12/31/2009**	Net amounts 12/31/2008	Net amounts 12/31/2007
Tinfos International A/S	Norway	100%	16	-	**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	(1)	**2**	3	3
Erasteel GmbH	Germany	100%	3	-	**3**	3	2
Erasteel UK Ltd	UK	100%	3	-	**3**	-	-
Aubert & Duval Mold and Die Technology	China	85%	3	(1)	**2**	3	3
Stahlschmidt GmbH	Germany	100%	3	-	**3**	3	2
La Petite-Faye	New Caledonia	100%	2	-	**2**	2	2
SOMIVAB	Gabon	83.00%	2	-	**2**	1	-
ERAMET Research (ex-Crt)	France	100%	1	-	**1**	1	1
ERAMET Ingenierie (ex-Tec)	France	100%	1	-	**1**	1	1
Sogaferro	Gabon	69.99%	1	-	**1**	1	1
ERAMET Korea Ltd	South Korea	-	-	-	**-**	-	1
ERAMET Latin America	Brazil	-	-	-	**-**	-	1
Other companies (less than a million euros)	-	-	13	(7)	**6**	8	10
Total			**59**	**(9)**	**50**	**74**	**35**

Non-consolidated subsidiaries chiefly relate to controlled companies and are recognised in the balance sheet at acquisition cost, less any provisions for impairment determined on the basis of the share of shareholders' equity held, with the Group unable to reliably measure the fair value.

Non-consolidated subsidiaries include companies that were deconsolidated because they have little impact on the Group's financial statements. These investments are measured at their shareholders' equity interest value on the date of deconsolidation.

The interests in Erasteel Italiana Srl, Traitement Compression Service (Tcs) and ERAMET North America Inc. (formerly Lni Inc.) were disposed of in 2007, and the gain (loss) on disposal was recognised in Other finance income and expenses (Note 25.2).

In 2008, business combinations primarily related to the acquisition as of August 1 of the Norwegian companies Eralloys Holding A/S and Tinfos A/S (Note 2). Tinfos International A/S, wholly owned by Eralloys Holding A/S, and mainly involved in the international trading of metallurgical products for the steel and smelting industries *via* its subsidiary in Luxembourg, was in the process of being disposed of and is thus not included in the scope of consolidation. Its shares were measured at their carrying amount of €33 million and classified as non-consolidated subsidiaries.

Tinfos International A/S was disposed of in early January 2010 for an estimated €16 million.

9.2. CHANGES OVER THE PERIOD

(millions of euros)	FY 2009	FY 2008	FY 2007
At January 1	**74**	**35**	**37**
Business combinations	**(21)**	38	-
Other changes in scope	**-**	-	-
Capital expenditure over the period	**1**	6	1
Disposals over the period	**(1)**	(2)	(6)
Period impairment in income	**(4)**	(2)	2
Period impairment in equity	**-**	-	-
Translation adjustments and other movements	**1**	(1)	1
At December 31	**50**	**74**	**35**

Business combinations include the €17 million fair value adjustment in respect of the shares in Tinfos International A/S.

Simplified financial statements (separate financial statements) for the main controlled but non-consolidated companies as of December 31, 2008 are presented below:

(millions of euros) (Base: financial statements December 31, 2008)	Stahlschmidt GmbH	Erasteel GmbH	Brown Europe	ERAMET Ingenierie	ERAMET Research
Sales	37	30	19	10	13
Current operating profit	6	-	3	1	-
Profit (loss) for the period	1	-	2	-	-
Non-current assets	1	1	6	-	6
Working capital requirement	6	1	10	-	(1)
Shareholders' equity	(6)	(1)	(18)	(4)	(4)
Provisions	(1)	(1)	-	-	(1)
Net borrowings	-	-	2	4	-

These companies are mainly sales and research and development entities, the services of which are wholly for the ERAMET group and the industrial subsidiaries of SIMA (shaping, wiredrawing and drawing of metallurgical products).

Note 10. Other investments

10.1. BY CATEGORY

(millions of euros)	Gross amounts	Impairment	Net amounts 12/31/2009	Net amounts 12/31/2008	Valeurs nettes 31/12/2007
Deposits and guarantees	33	(14)	**19**	32	13
Pension plan assets	4	-	**4**	5	-
Employee loans	5	-	**5**	6	6
Current accounts – Tinfos International A/S	8	-	**8**	7	-
Current accounts – Fjellsikring A/S	-	-	**-**	2	-
Current accounts – Enercal	2	-	**2**	2	-
Current accounts – ERAMET International & subsidiaries	3	-	**3**	1	1
Financial investments/US pensions	2	-	**2**	2	2
Current accounts – A&D Mold and Die Technology	2	-	**2**	2	-
Current accounts – Stahlschmidt GmbH	1	(1)	**-**	-	2
Current accounts – Bronzavia Industries	2	(2)	**-**	-	-
Current accounts – Somivab	1	-	**1**	-	-
Other loans and current accounts	6	(2)	**4**	4	2
Total	**69**	**(19)**	**50**	**63**	**26**

Other investments mainly relate to loans or current accounts granted to non-consolidated companies.

Since October 10, 2008, deposits and guarantees consist of €14 million (US$20 million) paid by ERAMET for the call option on 75.1% of the manganese mining project at Otjozondu in Namibia. The Namibia project was fully written off in 2009 as it was decided to abandon the project. And €16 million in additional deposits paid by ERAMET under the liquidity contract entered into with Exane BNP Paribas (Note 14).

10.2. CHANGES OVER THE PERIOD

(millions of euros)	FY 2009	FY 2008	FY 2007
At January 1	**63**	**26**	**30**
Business combinations	**(1)**	10	-
Other changes in scope	**-**	-	-
Changes in cash	**3**	24	(4)
Impairment losses over the period	**(16)**	-	1
Translation adjustments and other movements	**1**	3	(1)
At December 31	**50**	**63**	**26**
Breakdown of impairment losses:			
- **At January 1**	**(3)**	**(3)**	**(4)**
- Impairment losses	**(16)**	-	(1)
- Reversals of impairment, used	**-**	-	2
- Reversals of impairment, unused	**-**	-	-
- Translation adjustments and other movements	**-**	-	-
- **At December 31**	**(19)**	**(3)**	**(3)**

10.3. BY CURRENCY

(millions of euros)	12/31/2009	12/31/2008	12/31/2007
Euro	**16**	26	16
US dollar	**11**	17	3
CFA franc	**1**	1	1
Pacific franc	**8**	8	6
Norwegian krone	**14**	11	-
Total	**50**	**63**	**26**

10.4. BY INTEREST RATE

(millions of euros)	12/31/2009	12/31/2008	12/31/2007
Interest-free	**21**	39	10
Fixed interest rates	**15**	13	5
Variable interest rates	**14**	11	11
Total	**50**	**63**	**26**

Interest free items mainly relate to deposits and guarantees and certain loans to employees.

Note 11. Inventories

11.1. BY CATEGORY

(millions of euros)	Net amounts 12/31/2009	Net amounts 12/31/2008	Net amounts 12/31/2007
Raw materials	**281**	538	256
Merchandise and finished products	**307**	357	311
Work in progress and semi-finished products	**214**	324	321
Consumables and spare parts	**22**	23	17
Total	**824**	**1,242**	**905**
Of which: impairment losses	**(113)**	(163)	(112)

Impairment provisions mainly relate to raw materials and merchandise and finished products. Inventories pledged to secure liabilities appear in Note 29 – Off-balance sheet commitments.

11.2. CHANGES OVER THE PERIOD

(millions of euros)	FY 2009	FY 2008	FY 2007
At January 1	**1,242**	**905**	**769**
Business combinations	**-**	121	-
Other changes in scope	**(3)**	-	-
Changes in working capital requirement	**(506)**	324	141
Impairment losses over the period	**51**	(51)	14
Translation adjustments and other movements	**40**	(57)	(19)
At December 31	**824**	**1,242**	**905**
Breakdown of impairment losses:			
- **At January 1**	**(163)**	(112)	(131)
- Impairment losses	**(73)**	(91)	(34)
- Reversals of impairment, used	**124**	40	48
- Reversals of impairment, unused	**-**	-	-
- Translation adjustments and other movements	**(1)**	-	5
- **At December 31**	**(113)**	(163)	(112)

The Group adjusted its 2009 production in response to the fall in demand in its main markets and to absorb excess inventory at the end of 2008. This led to a €418 million drop, mainly in the Manganese and Alloys Divisions.

Note 12. Trade receivables and other assets

12.1. BY CATEGORY

(millions of euros)	Gross amounts	Impairment	Net amounts 12/31/2009	Net amounts 12/31/2008	Net amounts 12/31/2007
Trade receivables	400	(36)	**364**	439	554
Payroll and tax receivables	59	-	**59**	62	50
Other operating receivables	100	(40)	**60**	74	51
Receivables on non-current assets	16	-	**16**	9	1
Dividends receivable	1	-	**1**	-	-
Prepaid expenses	19	-	**19**	19	25
Total	**595**	**(76)**	**519**	**603**	**681**
- Non-current assets	5	-	**5**	6	6
- Current assets	590	(76)	**514**	597	675

12.2. CHANGES OVER THE PERIOD

(millions of euros)	FY 2009	FY 2008	FY 2007
At January 1	**603**	**681**	**637**
Business combinations	**-**	79	-
Other changes in scope	**(2)**	-	-
Changes in working capital requirement	**(43)**	(136)	52
Impairment losses over the period	**(23)**	7	(4)
Translation adjustments and other movements	**(16)**	(28)	(4)
At December 31	**519**	**603**	**681**
Breakdown of impairment losses on receivables:			
- **At January 1**	**(54)**	**(37)**	**(34)**
- Impairment losses	**(30)**	(15)	(17)
- Reversals of impairment, used	**7**	22	13
- Reversals of impairment, unused	**-**	-	-
- Business combinations	**-**	(24)	-
- Translation adjustments and other movements	**1**	-	1
- **At December 31**	**(76)**	**(54)**	**(37)**

The bulk of trade and other receivables are due in less than one year. Other non-current receivables of €5 million compared to €6 million as of December 31, 2008, relate to an Setrag SA receivable *vis-à-vis* the Gabonese State in connection with the concession agreement. Despite the crisis, the Group maintained average customer payment terms. Sales in Q4, though slightly up on early 2009 in the Manganese and Nickel Divisions, were still below those recorded at the end of 2008. This led to a €75 million fall in the trade receivables line item.

Foreign-currency denominated receivables are translated at the closing rate.

On July 5, 2007, Aubert & Duval, a wholly owned Group subsidiary, entered into a receivables securitisation agreement with a banking institution for a maximum of €115 million and US$50 million. This contract provided for the securitisation for a period of five years of receivables from major customers, primarily located in Europe and North America. The receivables disposed of were deconsolidated for the following amounts:

(millions of euros)	**12/31/2009**	12/31/2008	12/31/2007
Trade receivables – Invoices factored and deconsolidated	**(66)**	(119)	(112)
Other operating receivables – Security deposits	**23**	26	16

Group credit risk exposure is limited and no third-party default with a material impact occurred during the period or is expected.

Note 13. Other current financial assets and cash and cash equivalents

13.1. OTHER CURRENT FINANCIAL ASSETS

13.1.1. By category

Other current financial assets consisted of bonds issued by some twenty listed European companies.

13.1.2. Changes over the period

(millions of euros)	**FY 2009**	FY 2008	FY 2007
At January 1	**388**	**144**	**103**
Business combinations	**-**	-	-
Other changes in scope	**-**	-	-
Capital expenditure over the period	**-**	257	41
Disposals over the period	**(3)**	-	-
Period impairment in income	**-**	-	-
Fair value changes in equity	**20**	(13)	-
Translation adjustments and other movements	**-**	-	-
At December 31	**405**	**388**	**144**

As of December 31, 2008, a €13 million fair value change was recorded with respect to the bonds (€401 million face value), offset in shareholders' equity. As of December 31, 2009, a positive change of €20 million was recorded in shareholders' equity.

13.2. CASH AND CASH EQUIVALENTS

13.2.1. By category

(millions of euros)	Gross amounts	Impairment	Net amounts 12/31/2009	Net amounts 12/31/2008	Net amounts 12/31/2007
Cash	59	-	**59**	75	57
Cash equivalents	757	(4)	**753**	869	905
Total	**816**	**(4)**	**812**	**944**	**962**

13.2.2. By currency

(millions of euros)	12/31/2009	12/31/2008	12/31/2007
Euro	**657**	716	871
US dollar	**120**	61	69
Yuan Ren Min Bi (China)	**15**	17	15
Norwegian krone	**14**	140	2
Other currencies	**6**	10	5
Total	**812**	**944**	**962**

13.2.3. By interest rate

(millions of euros)	12/31/2009	12/31/2008	12/31/2007
Interest free	**14**	72	16
Fixed interest rates	**22**	24	24
Variable interest rates	**776**	848	922
Total	**812**	**944**	**962**

Cash includes cash at hand and in bank. Cash equivalents, primarily managed by Metal Securities, are comprised of €651 million in money market securities (compared to €247 million on December 31, 2008), bearing interest calculated on the basis of the EONIA (Euro OverNight Index Average) rate, and €75 million in negotiable debt securities (compared to €492 on December 31, 2008), bearing interest on the basis of the EONIA rate.

The change from one period to the next is analysed *via* a cash flow statement drawn up using the indirect method.

Note 14. Shareholders' equity

14.1. CHANGES TO THE SHARE CAPITAL

The share capital is comprised of 26,369,813 fully paid-up shares with a €3.05 par value each, broken down as follows:

	FY 2009				FY 2008				FY 2007			
	Capital		Voting rights		Capital		Voting rights		Capital		Voting rights	
Breakdown	%	Number of shares	%	Number of shares	%	Number shares	%	Number of shares	%	Number of shares	%	Number of shares
Registered shares												
SORAME et Compagnie d'Études Industrielles du Rouvray (CEIR)	**36.43**	**9,606,007**	**43.50**	**19,208,922**	36.64	9,604,138	43.97	19,207,474	37.07	9,603,338	44.21	19,206,674
AREVA	**25.63**	**6,757,277**	**30.60**	**13,514,554**	25.78	6,757,277	30.94	13,514,554	26.08	6,757,277	31.11	13,514,554
S.T.C.P.I.	**4.06**	**1,070,586**	**4.85**	**2,141,172**	4.08	1,070,586	4.90	2,141,172	4.13	1,070,586	4.93	2,141,172
Holta Investment SA	**0.48**	**126,978**	**0.29**	**126,978**	0.76	198,126	0.45	198,126	-	-	-	-
ERAMET SA	**0.31**	**81,732**	**-**	**-**	1.49	389,475	-	-	1.32	340,786	-	-
ERAMET SA share fund	**0.09**	**22,610**	**0.10**	**42,220**	0.07	19,610	0.09	39,220	0.16	40,470	0.19	80,940
Other	**1.46**	**384,308**	**1.83**	**807,139**	1.43	373,863	1.79	784,108	1.64	424,720	1.91	831,284
Total registered shares	**68.45**	**18,049,498**	**81.16**	**35,840,985**	**70.24**	**18,413,075**	**82.14**	**35,884,654**	**70.40**	**18,237,177**	**82.35**	**35,774,624**
Other bearer shares	**31.55**	**8,320,315**	**18.84**	**8,320,315**	29.76	7,802,156	17.86	7,802,156	29.60	7,668,444	17.65	7,668,444
Total number of shares	**100.00**	**26,369,813**	**100.00**	**44,161,300**	**100.00**	**26,215,231**	**100.00**	**43,686,810**	**100.00**	**25,905,621**	**100.00**	**43,443,068**
Shares with single voting rights	**32.53%**	**8,578,326**	**19.42%**	**8,578,326**	33.35%	8,743,652	20.01%	8,743,652	32.30%	8,368,174	19.26%	8,368,174
Shares with double voting rights	**67.47%**	**17,791,487**	**80.58%**	**35,582,974**	66.65%	17,471,579	79.99%	34,943,158	67.70%	17,537,447	80.74%	35,074,894

The June 17, 1999 agreement, which expired on June 30, 2006, was tacitly extended for one-year periods. On May 29, 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 December 31, 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 January 1, 2010.

This shareholders' agreement (including a sub-agreement between SORAME and CEIR), which constitutes an agreement to act in concert, was the subject of prior notice 199CO577 of May 18, 1999 from the French Financial Markets Board. The May 29, 2008 amendment was the subject of AMF approval and notice No. 208C1042.

Since January 1, 2002, registered shares meeting the required conditions have qualified for double voting rights.

14.1.1. Dividends

	FY 2009	FY 2008	FY 2007	FY 2006
Net dividends *(in euros per share)*	**5.25**	6.00	2.90	2.10
Total return *(in euros per share)*	**5.25**	6.00	2.90	2.10
Total net distribution *(in millions of euros)*	**136**	**154**	**74**	**54**

The ERAMET SA parent company's distributable reserves amounted to €1,079 million prior to the allocation of 2009 earnings (€1,070 million as of December 31, 2008).

14.1.2. Treasury stock

As of December 31, 2009, ERAMET held 81,732 treasury shares (389,475 shares as of December 31, 2008). In July 2007, following the execution of the Société Le Nickel-SLN shareholders' agreement of September 13, 2000, ERAMET received 252,885 shares (Note 27). These shares were cancelled by decision of the Board of Directors on July 29, 2009. 49,626 shares (53,689 shares as of December 31, 2008) related to shares bought under a liquidity contract entered into with Exane BNP Paribas and not yet registered as of the date of drafting of this table. The total amount of buybacks was charged to shareholders' equity.

The table below summarises the treasury stock transactions:

		Market making	Grants to employees	Other goals	Total
Position as on December 31, 2006		**16,862**	**63,078**	**50,317**	**130,257**
As a percentage of share capital	25,880,894	0.07%	0.24%	0.19%	0.50%
Allocated to stock options/bonus shares:					
- expiries/purchase options – 1999 Plans		-	(32,584)	32,584	-
- other grants			-		-
Purchase option exercises – 1999 Plans		-	(30,494)	-	(30,494)
Purchases		69,332	-	252,885	322,217
Sales		(81,194)	-	-	(81,194)
Position as on December 31, 2007		**5,000**	**-**	**335,786**	**340,786**
As a percentage of share capital	25,905,621	0.02%	-	1.30%	1.32%
Allocated to stock-options:					
- Granted		-	-	-	-
- Other		-	-	-	-
Purchase option exercices		-	-	-	-
Purchases		210,141	-	-	210,141
Sales		(161,452)	-	-	(161,452)
Position as on December 31, 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)	-
Purchase option exercices	-	-	-	-	
Purchases		241,360	-	-	241,360
Sales		(245,423)	-	-	(245,423)
Share cancellations/capital reduction		-	-	(252,885)	(252,885)
Share grants/buyout Eralloys minority interests		-	-	(24,965)	(24,965)
Position as on December 31, 2009		**49,626**	**32,106**	**-**	**81,732**
As a percentage of share capital	26,369,813	0.19%	0.12%	-	0.31%

Share purchases for "other goals" in 2007 included the 252,885 shares ERAMET received from Société Territoriale Calédonienne de Participation Industrielle (STCPI) in exchange for 4% of the shares in Société Le Nickel-SLN (Notes 15 and 28).

14.2. SHARE SUBSCRIPTION AND PURCHASE OPTIONS, BONUS SHARES

14.2.1. Subscription options

	Meeting date	Board Meeting date	Subscription price		Number of beneficiaries at outset	Number of beneficiaries at 01/01/2009	Allocated at outset	Exercised or lapsed prior to 01/01/2009	Exercised in 2009	Lapsed in 2009	Still to be exercised as from 01/01/2010	Number of beneficiaries at 01/01/2010	Expiry of plans
1	05.27.1998	12.12.2001	32.60	EUR	61	5	153,000	(145,250)	(3,750)	(4,000)	-	-	12.11.2009 (1)
2	05.23.2002	12.15.2004	64.63	EUR	81	41	130,000	(70,331)	(16,229)	-	43,440	32	12.15.2012 (2)
Total						**283,000**	**(215,581)**	**(19,979)**	**(4,000)**	**43,440**			

(1) Only exercisable as from December 12, 2003. Shares could not be sold prior to December 14, 2005.
(2) Only exercisable as from December 12, 2006. Shares could not be sold prior to December 14, 2008.

The exercise of 19,979 subscription options during the financial year at an average price of €58.62 contributed to the increase in shareholders' equity offset in cash by the creation of the same number of shares.

14.2.2. Bonus shares

(1)	Meeting date	Board Meeting date	Subscription price	Number of beneficiaries at outset	Number of beneficiaries at 01/01/2009	Allocated at outset	Exercised or lapsed prior to 01/01/2009	Exercised in 2009	Lapsed in 2009	Still to be exercised as from 01/01/2010	Number of beneficiaries at 01/01/2010	Expiry of plans
1	05.11.2005	12.13.2005	Bonus	90	-	14,000	(14,000)	-	-	-	-	-
2	05.11.2005	04 25.2007	Bonus	1	1	10,000	-	(10,000)	-	-	-	-
3	05.11.2005	07.23.2007	Bonus	61	59	16,000	(170)	(15,830)	-	-	-	-
4	05.13.2009	07.29.2009	Bonus	14,766	14,766	73,830	-	-	-	73,830	14,766	07.29.2011
Total				**113,830**	**(14,170)**	**-**	**-**	**73,830**				

(1) Definitive vesting date: 1 = December 13, 2007, 2 = April 25, 2009, 3 = July 23, 2009 and 4 = July 29, 2011.
The shares cannot be sold prior to: 1 = December 13, 2009, 2 = April 25, 2011,3 = July 23, 2011 and 4 = July 29, 2013.

14.3. SHARE-BASED PAYMENTS

Share-based payments only relate to stock option and bonus share plans granted to employees. They represented a €3 million expense (€2 million as of December 31, 2008) 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 two-year lock-in period from the date of the grant.

All the plans are equity settled. Only stock option plans established subsequent to November 7, 2002, for which the rights have not vested by January 1, 2005, are recognised in accordance with IFRS 2 – Share-Based Payment. Accordingly, only the stock subscription option plans established at the December 15, 2004 Board Meeting (plan No. 2, Note 14.2.1) and all the bonus share grant plans (Note 14.2.2.) fall within the scope of IFRS 2. The fair values of stock options are calculated using the Black & Scholes method. They are apportioned on a straight-line basis over the vesting period of the plan under personnel costs and offset by an 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:

(millions of euros)	Number of options	Exercise price (euros)	Maturity (years)	Expected volatility	Risk-free rate	Average dividend rate	Fair value of option (euros)	Accounting cost of plans over three years			
								Total	FY 2009	FY 2008	FY 2007
Plan no. 1 – Note 14.2.2.	14,000	bonus	4	40.00%	2.80%	3.28%	68.04	0.9	-	-	0.4
Plan no. 2 – Note 14.2.2.	10,000	bonus	4	40.75%	4.15%	3.00%	155.19	1.6	**0.3**	0.8	0.5
Plan no. 3 – Note 14.2.2.	16,000	bonus	4	40.75%	4.15%	3.00%	194.10	3.1	**0.9**	1.5	0.7
Plan no. 4 – Note 14.2.2.	73,830	bonus	4	n/a	2.50%	2.35%	151.48	10.9	**1.5**	-	-

Note 15. Non-controlling interests

15.1. BY CATEGORY

(millions of euros)	% minority interest	12/31/2009		12/31/2008	12/31/2007
		Profit (loss)	Total	Total	Total
Société Le Nickel-SLN	44.00%	**(32)**	**629**	661	640
Comilog SA	32.75%	**43**	**284**	267	183
Eralloys Holding A/S & Tinfos A/S	44.22%	**(5)**	**-**	124	-
Strand Minerals (Indonesia) Inc.	33.40%	**(1)**	**39**	-	-
Pt Weda Bay Nickel Ltd	10.00%	**-**	**14**	14	14
Guangxi Comilog Ferro Alloys Ltd	30.00%	**(3)**	**-**	3	3
Interforge	6.00%	**-**	**1**	1	1
Other companies	-	**2**	**3**	1	-
Total		**4**	**970**	**1,071**	**841**

15.2. CHANGES OVER THE PERIOD

(millions of euros)	FY 2009	FY 2008	FY 2007
At January 1	**1,071**	**841**	**525**
Business combinations	**(97)**	136	-
Other changes in scope	**-**	1	45
Dividends paid	**(27)**	(51)	(33)
Profit (loss) for the period	**4**	161	232
Change in hedging instrument revaluation reserve	**11**	4	78
Translation adjustments and other movements	**8**	(21)	(6)
At December 31	**970**	**1,071**	**841**

Other changes in scope in 2007 related to the exercise of the option over 4% of Société Le Nickel-SLN's shares on July 23, 2007, pursuant to the shareholders' agreement of September 13, 2000 entered into by ERAMET and Société Territoriale Calédonienne de Participation Industrielle (STCPI) (Note 27).

Business combinations in 2008 and 2009 related to the 2-phase acquisition in late July 2008 and late May 2009 of the Norwegian companies Eralloys Holding A/S and Tinfos A/S (Note 2).

The other scope changes in 2009 included the disposal of 33.4% of Strand Minerals (Indonesia) Pte Ltd to Mitsubishi Corporation (Note 2).

Note 16. Employee liabilities

ERAMET group companies offer their employees various long-term benefits in accordance with the rules and practices in force in the countries where they operate. An actuarial appraisal of the liabilities of Group companies was carried out using a standard actuarial framework (assumptions and methods) defined by the Group in accordance with the principles set out in IAS 19 – Employee Benefits. This appraisal of liabilities is performed each year on a multi-annual basis (two or three years, except for non-recurring events requiring a new appraisal on a case-by-case basis).

The main Group liabilities in respect of employee benefits over the period were as follows:

- **Belgium:**
  - pension plan providing for the payment of benefits from the age of 65 for managerial staff with 25 years' service, including possible advances with reductions;
  - long-service bonuses: payment of one month's salary to all employees after 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 (62 or 65, depending on the plans). Possibility of early retirement and eligibility for disability benefits based on length of service and the plan in question;
  - healthcare for retirees of certain sites, part of a closed plan;
  - life insurance plan for employees of certain sites.
- **France:**
  - retirement packages providing for the payment of a lump sum determined based on length of service and final salary;
  - healthcare for employees and retirees 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:**
  - pension plan providing for the payment of an employee termination benefit after three years of 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 of service based on a percentage of average monthly salary over the previous 12 months per year of service;
  - long-service bonuses: payment of a lump sum after 10, 20 and 30 years of service.
- **Mexico:**
  - termination bonus providing for 12 days' salary paid to all employees aged over 60 and with 15 years of service.
- **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;
  - 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:**
  - pension plan providing for the payment of a lump sum based on salary and length of service;
  - loyalty bonuses paid after ten years of service and then every five and ten years, calculated as a percentage of the base salary;
  - long-service bonuses: payment of a lump sum after 15-20, 22.5-30, 26.25-35 and 30-40 years of service.
- **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 (34% of liabilities), France (29% of liabilities), Norway (21% of liabilities) and New Caledonia (8% of liabilities).

The actuarial assumptions used for appraisals are as follows:

As at December 31, 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%**	**3.0%**
Salary increase rate	**3% – 4.25%**	**3% – 5%**	**4%**	**4.0%**
Return on plan financial assets	**4.5% – 6.4%**	**7.8% – 8.5%**	**4.5%**	**n/a**

As at December 31, 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

As at December 31, 2007	Europe	North America	New Caledonia	Gabon
Discount rate	4.3% – 5.25%	6.25% – 7.9%	5.25%	6.5%
Inflation rate	1.9% – 3.2%	2.1% – 3.4%	3%	3%
Salary increase rate	2.5% – 4.5%	3% – 5.75%	4%	5%
Return on plan financial assets	4.9% – 7%	7.8% – 8%	5%	n/a

The outcome of the appraisals are as follows:

	Fair value of plan assets			Actuarial value of liabilities			Financial position surplus/(deficit)		
(millions of euros)	**FY 2009**	FY 2008	FY 2007	**FY 2009**	FY 2008	FY 2007	**FY 2009**	FY 2008	FY 2007
Pension plans	**144**	133	99	**202**	206	130	**(58)**	(73)	(31)
Retirement package	**44**	39	44	**87**	85	76	**(43)**	(46)	(32)
Awards and bonuses	**-**	-	-	**26**	23	19	**(26)**	(23)	(19)
Healthcare plans	**-**	-	-	**23**	24	22	**(23)**	(24)	(22)
Total	**188**	**172**	**143**	**338**	**338**	**247**	**(150)**	**(166)**	**(104)**

	Unrecognised actuarial (gains)/losses			Unrecognised past service			Balance sheet provision (asset)/liability		
(millions of euros)	**FY 2009**	FY 2008	FY 2007	**FY 2009**	FY 2008	FY 2007	**FY 2009**	FY 2008	FY 2007
Pension plans	**14**	33	(6)	**4**	7	-	**40**	33	37
Retirement package	**5**	7	-	**3**	3	-	**35**	36	32
Awards and bonuses	**-**	-	-	**-**	-	-	**26**	23	19
Healthcare plans	**-**	-	(2)	**-**	-	-	**23**	24	24
Total	**19**	**40**	**(8)**	**7**	**10**	**-**	**124**	**116**	**112**
Provisions							**128**	121	112
Pension plan assets/Other financial assets (Note 9)							**4**	5	-

Total liabilities amounted to €338 million as of December 31, 2009 (€338 million as of December 31, 2008) and the fair value of plan assets to €188 million as of December 31, 2009 (€172 million as of December 31, 2008). The net position (surplus/deficit) of the plans, which was €150 million as of December 31, 2009 (€166 million as of December 31, 2008) does not reflect the impact of plan amendments (€26 million as of December 31, 2009). The greater of actuarial differences in excess of 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 covering assets amount to €87 million (€81 million as of December 31, 2008).

The pension funds are invested as follows:

(millions of euros)	**FY 2009**		FY 2008		FY 2007	
Equities	**63**	**34%**	50	29%	70	49%
Europe	**17**	**9%**	13	8%	18	13%
North America	**45**	**24%**	36	21%	50	35%
New Caledonia	**1**	**1%**	1	1%	2	1%
Gabon	**-**	**-**	-	-	-	-
Bonds	**104**	**55%**	86	50%	57	40%
Europe	**69**	**37%**	53	31%	22	15%
North America	**28**	**15%**	26	15%	30	21%
New Caledonia	**7**	**4%**	7	4%	5	3%
Gabon	**-**	**-**	-	-	-	-
Other investments	**21**	**11%**	36	21%	16	11%
Europe	**20**	**11%**	35	20%	14	10%
North America	**-**	**-**	1	1%	1	1%
New Caledonia	**1**	**1%**	-	-	1	1%
Gabon	**-**	**-**	-	-	-	-
Total	**188**	**100%**	**172**	**100%**	**143**	**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:

(millions of euros)	**FY 2009**	FY 2008	FY 2007
At January 1	**116**	**112**	**125**
Business combinations	**-**	15	-
Other changes in scope	**(1)**	-	-
Expenses recognised	**33**	27	10
- service cost	**9**	11	8
- net interest expense	**17**	15	13
- return on plan assets	**(10)**	(10)	(9)
- depreciation and amortisation of actuarial gains and losses and past service cost	**18**	15	-
- other	**(1)**	(4)	(2)
Contributions paid	**(27)**	(33)	(19)
Translation adjustments and other movements	**3**	(5)	(4)
At December 31	**124**	**116**	**112**

The breakdown by provision component in respect of 2009 was as follows:

(millions of euros)	Present value of liabilities	Fair value of plan assets	Financial position surplus/ (deficit)	Unrecognised actuarial (gains)/ losses	Unrecognised past service cost	Balance sheet provision (asset)/liability
Position as on December 31, 2006	**269**	**143**	**(126)**	**-**	**1**	**125**
Business combinations	-	-	-	-	-	-
Other changes in scope	-	-	-	-	-	-
Expenses recognised:	7	7		(9)	(1)	10
- service cost	8	-	(8)	-	-	8
- net interest expense	13	-	(13)	-	-	13
- return on plan assets	-	11	11	(2)	-	(9)
- depreciation and amortisation of actuarial gains and losses	(7)	-	7	(7)	-	-
- depreciation and amortisation of past service cost	(1)	-	1	-	(1)	-
- other	(6)	(4)	2	-	-	(2)
Contributions paid	(17)	2	19	-	-	(19)
Translation adjustments and other movements	(12)	(9)	3	1	-	(4)
Position as on December 31, 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)
- depreciation and amortisation of actuarial gains and losses	22	(26)	(48)	48	-	-
- depreciation and amortisation of past service cost	26	-	(26)	-	11	15
- other	4	9	5	-	(1)	(4)
Contributions paid	(17)	16	33	-	-	(33)
Translation adjustments and other movements	(13)	(8)	5	-	-	(5)
Position as on December 31, 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)
- depreciation and amortisation of actuarial gains and losses	(5)	-	5	(18)	-	13
- depreciation and amortisation of past service cost	2	-	(2)	-	(3)	5
- other	(10)	(10)		1		(1)
Contributions paid	(21)	6	27	-	-	(27)
Translation adjustments and other movements	9	6	(3)	-	-	3
Position as on December 31, 2009	**338**	**188**	**(150)**	**19**	**7**	**124**

The breakdown of actuarial differences on the basis of experience is presented below:

(millions of euros)	**FY 2009**	FY 2008	FY 2007
Actuarial value of liabilities	**338**	338	247
Fair value of plan assets	**188**	172	143
(Surplus)/deficit	**150**	**166**	**104**
Experience gains and losses on liabilities	**(42)**	9	7
Other gains or losses on liabilities	**37**	10	(14)
Experience gains and losses on assets	**(4)**	(27)	2
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 no material impact on the expense for the period, primarily in the United States.

A 0.25% increase in the discount rate or inflation rate would respectively affect the liability by -€3 million and +€11 million and there would be not major impact on the expense for the period.

The amount of forecast contributions expected and benefits to be paid by the Group for 2010 in respect of post-employment plans is estimated at €20 million.

Note 17. Provisions

17.1. BY CATEGORY

(millions of euros)	**12/31/2009**	12/31/2008	12/31/2007
Employees	**10**	20	23
Major lawsuits	**-**	-	-
Environmental contingencies and site restoration	**254**	258	225
Other contingencies and losses	**79**	25	38
Total	**343**	**303**	**286**
- Long-term portion	**314**	271	255
- Short-term portion	**29**	32	31

17.2. CHANGES OVER THE PERIOD

(millions of euros)	**FY 2009**	FY 2008	FY 2007
At January 1	**303**	**286**	**199**
Business combinations	**(7)**	11	-
Other changes in scope	**-**	-	-
- Allowances (reversals) over the period	**50**	(14)	30
- allowances over the period	**71**	27	74
- (reversals) over the period, used	**(28)**	(44)	(42)
- (reversals) over the period, unused	**(2)**	(7)	(8)
- reversal of discounting	**9**	10	6
Dismantling assets	**2**	18	60
Translation adjustments and other movements	**(5)**	2	(3)
At December 31	**343**	**303**	**286**

17.3. EMPLOYEES

(millions of euros)	12/31/2009	12/31/2008	12/31/2007
Restructuring and redundancy plans	**5**	13	7
Other payroll contingencies and losses	**5**	7	16
Total	**10**	**20**	**23**
- Long-term portion	**4**	7	15
- Short-term portion	**6**	13	8

Restructuring and redundancy plans: provisions are fully funded for all restructuring and redundancy costs whenever IFRS criteria are satisfied. The following table summarises these liabilities:

(millions of euros)	12/31/2009	12/31/2008	12/31/2007
Aubert & Duval redundancy plan	**-**	1	2
Other restructuring and redundancy plans – Manganese Division	**5**	11	5
Other restructuring and redundancy plans – Alloys Division	**-**	1	-
Total	**5**	**13**	**7**

The changes over the period were as follows.

(millions of euros)	FY 2009	FY 2008	FY 2007
At January 1	**13**	**7**	**9**
Business combinations	**-**	-	-
Other changes in scope	**-**	-	-
Allowances (reversals) over the period	**(8)**	6	(2)
- allowances over the period	**-**	8	-
- (reversals) over the period, used	**(7)**	(2)	(2)
- (reversals) over the period, unused	**(1)**	-	-
Translation adjustments and other movements	**-**	-	-
At December 31	**5**	**13**	**7**

The increased restructuring in 2008 concerned the "Special Products" business of the US company ERAMET Marietta Inc. (Manganese Division), with provisions of €7 million being funded. The implementation of redundancy plans in France, Belgium and Norway in the Alloys and Manganese Divisions contributed to the reduction in the amount of provisions funded for restructurings as of December 31, 2009 (€5 million compared to €13 million as of December 31, 2008).

Other labour contingencies and losses: These provisions relate primarily to disputes with employees and social security bodies, which changed as follows:

(millions of euros)	FY 2009	FY 2008	FY 2007
At January 1	**7**	**16**	**16**
Business combinations	**-**	-	-
Other changes in scope	**-**	-	-
Allowances (reversals) over the period	**(2)**	(10)	1
- allowances over the period	**3**	4	7
- (reversals) over the period, used	**(5)**	(14)	(6)
- (reversals) over the period, unused	**-**	-	-
Translation adjustments and other movements	**-**	1	(1)
At December 31	**5**	**7**	**16**

17.4. MAJOR LAWSUITS

Pursuant to an outline settlement signed in early 2008 between Comilog SA and some of its subsidiaries and the Carlo Tassara Group definitively settling all disputes (and specifically the payment of shares in Comilog France – formerly SFPO, the payment of dividends and non-convertible bonds), the provisions for major lawsuits funded in 1996/1997 were used together with the sums owed by Comilog SA and its subsidiaries, with no impact on earnings. The transaction was settled on February 15, 2008.

17.5. ENVIRONMENTAL CONTINGENCIES AND SITE RESTORATION

(millions of euros)	12/31/2009	12/31/2008	12/31/2007
Environmental contingencies	**28**	38	27
Site restoration [1]	**226**	220	198
Total	**254**	**258**	**225**
(1) Of which, provisions with offsetting dismantling asset	**156**	146	122
- Long-term portion	**247**	249	216
- Short-term portion	**7**	**11**	**9**

Environmental contingencies: The provision amounted to €28 million as of December 31, 2009 (€38 million as of December 31, 2008) and primarily related to the Manganese Division (€12 million compared to €19 million as of December 31, 2008) and the Alloys Division (€10 million compared to €11 million as of December 31, 2008).

The increase in 2008 was mainly due to the integration as of August 1, 2008 of the Norwegian companies Eralloys Holding A/S and Tinfos A/S for €11 million, stemming from the risk assessment carried out by an independent firm. In H2 2009, the provision was adjusted down to €4 million, offset in goodwill.

Provisions were funded in the Manganese Division for environmental legal and regulatory measures or obligations. 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.

(millions of euros)	FY 2009	FY 2008	FY 2007
At January 1	**38**	**27**	**25**
Business combinations	**(7)**	11	-
Other changes in scope	**-**	-	-
Allowances (reversals) over the period	**(3)**	(1)	2
- allowances over the period	**2**	1	6
- (reversals) over the period, used	**(5)**	(2)	(4)
- (reversals) over the period, unused	**-**	-	-
Translation adjustments and other movements	**-**	1	-
At December 31	**28**	**38**	**27**

Site restoration: Site restoration for mining sites currently in operation involved Société Le Nickel-SLN in New Caledonia (Nickel Division) for €173 million (December 31, 2008: €161 million), Comilog SA in Gabon (Manganese Division) for €6 million (December 31, 2008: €6 million) and since 2006 ERAMET Marietta Inc. in the US for €23 million (December 31, 2008: €24 million). The increase in the provision for New Caledonia over the three periods is due to the re-measurement of certain dismantling costs and the increased areas to be treated. For facilities in operation, a dismantling asset of €60 million was recognised in 2007, €18 million in 2008 and -€5 million in 2009. In 2009, a €7 million provision was funded for possible closure within the next 30 years of the Doniambo plant. In Boulogne-sur-Mer, provisions were funded in 2003 and 2007 for regulatory and implicit obligations with regard to the demolition and restoration of the site following the decision to shut down the plant (Note 17.6).

Restoration costs are discounted over the remaining period to the expected end of operation of the mine, with averages of nine years and a maximum of 14 in New Caledonia, eight years and a maximum of 15 in Gabon and 63 years and a maximum of 72 in the US. These provisions are discounted at a rate of 5% in New Caledonia, 5.8% in Gabon and 5.75% in the United States. A one percentage point increase or decrease in the discount rate would result in a €24 million decrease and a €29 million increase in provisions.

The Group has no decommissioning fund as defined by IFRIC 5.

(millions of euros)	FY 2009	FY 2008	FY 2007
At January 1	**220**	**198**	**95**
Business combinations	**-**	-	-
Other changes in scope	**-**	-	-
Allowances (reversals) over the period	**5**	3	46
- allowances over the period	**1**	7	50
- (reversals) over the period, used	**(4)**	(14)	(10)
- (reversals) over the period, unused	**(1)**	-	-
- reversal of discounting	**9**	10	6
Dismantling assets	**2**	18	60
Translation adjustments and other movements	**(1)**	1	(3)
At December 31	**226**	**220**	**198**

17.6. OTHER CONTINGENCIES AND LOSSES

The other provisions for contingencies and losses include, in particular, €42 million (US$60 million) for financial risks associated with the put options granted by ERAMET to Mitsubishi Corporation as part of the disposal of 33.4% of the shares in Strand Minerals (Indonesia) Pte Ltd (Note 2 – Scope of consolidation).

The other provisions spread across the three divisions cover miscellaneous contingencies, including the cost of closing the Boulogne-sur-Mer plant (€5 million – the same as at the end of 2008), commercial risks/disputes (€12 million compared to €6 million at the end of 2007), various supplier lawsuits in New Caledonia (€1 million compared to €2 million as of December 31, 2008) and provisions for insurance deductibles (€5 million).

(millions of euros)	FY 2009	FY 2008	FY 2007
At January 1	**25**	**38**	**42**
Business combinations	**-**	-	-
Other changes in scope	**-**	-	-
Allowances (reversals) over the period	**58**	(12)	(11)
- allowances over the period	**65**	7	11
- (reversals) over the period, used	**(7)**	(12)	(14)
- (reversals) over the period, unused	**-**	(7)	(8)
- reversal of discounting	**-**	-	-
Translation adjustments and other movements	**(4)**	(1)	7
At December 31	**79**	**25**	**38**

17.7. CONTINGENT LIABILITIES

The US company Gulf Chemical & Metallurgical Corp. (GCMC) found in late 2009 that the declarations made to the TCEQ (Texas Commission for Environment Quality) concerning certain emissions had been false for a number of years. GCMC informed the TCEQ of this finding. An administrative and legal enquiry is underway.

Furthermore, the TCEQ undertook a Consent Decree process *vis-à-vis* GCMC to review the terms of application of GCMC's Operating Permit. The authorities found a certain number of issues that need to be corrected and reported them to GCMC. A cross-examination between GCMC and the TCEQ of these issues is underway.

17.8. ONGOING DISPUTES

To the best of the company's knowledge, there are no other extraordinary situations (with the exception of the Carlo Tassara France case described in Note 34 – Other disclosures) or disputes likely to have a material impact on the financial position, results or assets or liabilities of the company or Group.

Note 18. Deferred tax

18.1. BY CATEGORY

(millions of euros)	12/31/2009	12/31/2008	12/31/2007
Difference between tax and consolidated amounts of non-current assets	**143**	125	121
Restatement of tax entries	**212**	203	148
Other temporary differences	**112**	120	108
Hedging instruments	**21**	16	35
Other	**8**	6	8
Deferred tax liabilities	**496**	**470**	**420**
Temporary differences	**155**	120	123
Tax loss carry-forwards – *	**86**	12	2
Elimination of gains (losses) on internal disposals	**20**	78	34
Hedging instruments	**6**	52	28
Other	**-**	-	-
Deferred tax assets	**267**	**262**	**187**
Total	**229**	**208**	**233**
* Limited or written off deferred tax assets	**43**	30	20
Capitalised deferred tax assets	**86**	12	2

The increase in 2008 in deferred tax relating to the restatement of tax-related entries was due to the statutory provisions funded in Gabon, New Caledonia and France.

The increase in 2009 in deferred tax relating to the differences between the tax and consolidated amounts of non-current assets resulted from the allocation to amortisable assets of the acquisition price of Eralloys Holding A/S (Note 2).

The other temporary differences recognised in liabilities as of December 31, 2009 (€103 million) mostly related to the finance lease (€42 million), technical provisions for reinsurance (€8 million) and unrealised UCITS capital gains (€7 million). The decrease in 2009 was mainly due to the portion of future taxable profit in Sweden charged to losses in the period and to the lower level of unrealised UCITS capital gains.

The temporary differences recognised in assets (€155 million) primarily relate to employee benefits mostly in the US and Norway (€21 million), provisions (€15 million) and finance leases (€31 million). The increase in 2009 was mainly due to previously tax deductible provisions reclassified as temporary differences following the tax audit in New Caledonia.

The decrease in 2009 in deferred tax assets on hedging instruments was mainly due to the decline in liability positions on commodity hedges, primarily nickel (Note 21).

18.2. CHANGES OVER THE PERIOD

(millions of euros)	Liabilities	Assets	Net FY 2009	Net FY 2008	Net FY 2007
At January 1	**470**	**262**	**208**	**233**	**74**
Business combinations				6	-
Other changes in scope	-	-	**-**	-	-
Deferred tax offset in shareholders' equity	7	(46)	**53**	(39)	118
Deferred tax on profit (loss) for the period	(20)	40	**(60)**	15	46
Translation adjustments and other movements	39	11	**28**	(7)	(5)
At December 31	**496**	**267**	**229**	**208**	**233**
Net deferred tax in balance sheet after offsetting by tax entity					
- Deferred tax assets			**68**	32	13
- Deferred tax liabilities			**297**	240	246

Pursuant to IAS 12, deferred tax assets and liabilities have been presented separately in the balance sheet following offsetting within each fiscal entity, with aging being restated accordingly. Except for tax consolidation in France (Note 18.3) and the United States (Note 18.4), every company is an independent tax entity.

18.3 TAX CONSOLIDATION IN FRANCE

Tax losses totalling €78 million arose in FY 2009 and gave rise to the capitalisation of €27 million in deferred tax. There were no losses brought forward from previous years. Furthermore, the net deferred tax position of the tax consolidation group in France was a €55 million liability (€138 million in liabilities and €83 million in assets), against a €30 million liability (€103 million in liabilities and €73 million in assets) as of December 31, 2008.

18.4. TAX CONSOLIDATION IN THE UNITED STATES

The tax consolidation group in the US had a net tax asset of €2 million (€17 million in liabilities and €19 million in assets) compared to a €7 million net liability (€12 million in liabilities and €5 million in assets) as of December 31, 2008. There were no tax loss carry-forwards as of December 31, 2008. €15 million in tax losses arose in 2009 and represented a deferred tax asset of €5 million.

Note 19. Borrowings

19.1. BY CATEGORY

(millions of euros)	12/31/2009	12/31/2008	12/31/2007
Bank loans*	**13**	55	4
Bank overdrafts and creditor banks	**31**	46	58
Finance lease liabilities	**46**	51	56
Other borrowings and financial liabilities	**181**	47	34
Total	**271**	**199**	**152**

** Of which commercial paper.*

ERAMET has had a commercial paper programme since 2005. The amount of commercial paper issued is included under "Bank loans".

19.2. BY CURRENCY

(millions of euros)	12/31/2009	12/31/2008	12/31/2007
Euro	**94**	112	88
US dollar	**18**	52	25
CFA franc	**24**	12	4
British pound	**2**	-	1
Norwegian krone	**120**	16	-
Other currencies	**13**	7	34
Total	**271**	**199**	**152**

19.3. BY MATURITY

(millions of euros)	12/31/2009	12/31/2008	12/31/2007
Less than a year	**72**	109	87
One to five years	**147**	47	21
Over five years	**52**	43	44
Total	**271**	**199**	**152**

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.

(millions of euros)	12/31/2009	12/31/2008	12/31/2007
Unused confirmed credit facilities*	**600**	600	600
Unissued commercial paper	**400**	400	400
Repurchase agreements**	**210**	-	-

** Bank covenants relating to these credit facilities are wholly satisfied. These covenants relate to the ratio of the Group's net debt to shareholders' equity.*
*** Based on the criteria associated with the repo programme (Note 21.3.4 – Liquidity risks), only €210 million in bonds would be eligible.*

19.4. BY INTEREST RATE

(millions of euros)	12/31/2009	12/31/2008	12/31/2007
Interest-free	**5**	5	6
Fixed interest rates	**40**	28	15
- under 5%	**-**	-	1
- 5% – 10%	**40**	27	14
- over 10%	**-**	1	-
Variable interest rates	**226**	166	131
- under 5%	**113**	139	114
- 5% – 10%	**112**	23	17
- over 10%	**1**	4	-
Total	**271**	**199**	**152**

19.5. FINANCE LEASE LIABILITIES

(millions of euros)	12/31/2009 Nominal value	12/31/2009 Present value	12/31/2008 Nominal value	12/31/2008 Present value	12/31/2007 Nominal value	12/31/2007 Present value
Less than a year	**6**	**5**	7	5	7	5
One to five years	**25**	**21**	25	21	25	20
Over five years	**20**	**20**	25	25	32	31
Total	**51**	**46**	**57**	**51**	**64**	**56**
Interest expense	**-**	**5**	-	6	-	8
Total	**51**	**51**	**57**	**57**	**64**	**64**

Finance lease liabilities mainly relate to the €45 million in capital expenditure on the 40,000-ton press in Pamiers (Airforge – Alloys Division), €41 million of which was for capital expenditure in 2006.

19.6. NET CASH OR NET BORROWING POSITION

19.6.1. By category

(millions of euros)	12/31/2009	12/31/2008	12/31/2007
Borrowings and financial liabilities	**(271)**	(199)	(152)
Bonds – Other current financial assets	**405**	388	144
Cash equivalents	**753**	869	905
Cash	**59**	75	57
Total	**946**	**1,133**	**954**

19.6.2. Net cash or borrowing position

(millions of euros)	FY 2009	FY 2008	FY 2007
Cash flows from operating activities			
EBITDA	**59**	1,505	1,373
Elimination of non-cash and non-operating income and expenses:	**(101)**	(395)	(344)
Cash generated from operations	**(42)**	**1,110**	**1,029**
Net change in current operating assets and liabilities	**154**	30	(41)
Net cash generated by operating activities	**112**	**1,140**	**988**
Cash flows from investing activities			
Industrial capital expenditure	**(286)**	(419)	(319)
Financial investments	**11**	(425)	7
Proceeds from non-current asset disposals	**3**	11	8
Capital grants received	**-**	-	-
Changes in debt and receivables on non-current assets	**(11)**	(4)	4
Changes in scope and loans	**(10)**	27	4
Dividends received from associates	**-**	1	1
Net cash used in investing activities	**(293)**	**(809)**	**(295)**
Cash flows from financing activities			
Dividends paid	**(164)**	(205)	(107)
Proceeds from share capital increases	**74**	119	1
Change in working capital requirement stemming from financing activities	**19**	-	(1)
Net cash used in financing activities	**(71)**	**(86)**	**(107)**
Exchange rate impact	**65**	(66)	15
Increase (decrease) in net cash or borrowings	**(187)**	**179**	**601**
Opening net cash position	**1,133**	**954**	**353**
Closing net cash position	**946**	**1,133**	**954**

Note 20. Trade payables and other liabilities

20.1. PAR NATURE

(millions of euros)	12/31/2009	12/31/2008	12/31/2007
Trade payables	**352**	465	334
Tax and payroll liabilities	**152**	220	196
Other operating liabilities	**80**	190	106
Debts on non-current assets	**32**	39	35
Debts of associates – dividends	**-**	1	6
Prepaid income	**10**	14	9
Total	**626**	**929**	**686**
- Non-current liabilities	**36**	22	30
- Current liabilities	**590**	907	656

The bulk of trade payables and other liabilities are due in less than one year. The €36 million (€22 million as of December 31, 2008) 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 (€12 million as of December 31, 2008) as well as with the €7 million (€10 million as of December 31, 2008) in tax breaks relating to the financing of furnace No. 10 (2004 agreement) and of the washing plant (2006 agreement) as part of the Société Le Nickel-SLN project, apportioned over 5 and 6 years. Since the disposal of 33.4% of the shares in Strand Minerals (Indonesia) Pte Ltd to Mitsubishi Corporation (Note 2), non-current liabilities include the US$27 million (€19 million) debt in respect of geology expenses.

20.2. CHANGES OVER THE PERIOD

(millions of euros)	FY 2009	FY 2008	FY 2007
At January 1	**929**	**686**	**596**
Business combinations	**(2)**	44	-
Other changes in scope	**-**	-	-
Changes in working capital requirement	**(190)**	200	97
Translation adjustments and other movements	**(111)**	(1)	(7)
At December 31	**626**	**929**	**686**

Foreign-currency denominated debt is translated at the closing rate.

Note 21. Risk management and derivatives

21.1. FINANCIAL INSTRUMENTS INCLUDED IN THE STATEMENT OF FINANCIAL POSITION

	12/31/2009 Statement of financial position	Breakdown by type of instrument				
(millions of euros)		Fair value through profit or loss	Available-for-sale financial assets	Loans and 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
Shareholders' equity & liabilities	**997**	**31**	**-**	**700**	**240**	**26**

(millions of euros)	12/31/2008 Statement of financial position	Breakdown by type of instrument: Fair value through profit or loss	Available-for-sale financial assets	Loans and 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
Shareholders' equity & liabilities	**1,573**	**46**	**-**	**1,216**	**153**	**158**

(millions of euros)	12/31/2007 Statement of financial position	Breakdown by type of instrument: Fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Liabilities at amortised cost	Derivatives
Investment securities	35	-	35	-	-	-
Other non-current financial assets	26	-	-	26	-	-
Other non-current assets	6	-	-	6	-	-
Trade receivables	554	-	-	554	-	-
Other current assets	252	-	-	252	-	-
Derivatives	129	-	-	-	-	129
Other current financial assets	144	-	144	-	-	-
Cash and cash equivalents	962	962	-	-	-	-
Assets	**2,108**	**962**	**179**	**838**	**-**	**129**
Borrowings – long-term portion	65	-	-	-	65	-
Other non-current liabilities	30	-	-	30	-	-
Borrowings – short-term portion	87	58	-	-	29	-
Trade payables	334	-	-	334	-	-
Other current liabilities	598	-	-	598	-	-
Derivatives	81	-	-	-	-	81
Shareholders' equity & liabilities	**1,195**	**58**	**-**	**962**	**94**	**81**

The liabilities formerly recognised under "Cash and cash equivalents" were reclassified under "Available for sale financial assets" for €144 million as of December 31, 2007 (Note 3).

No reclassification among categories of financial instruments was carried out during the period. Investment securities and other current financial assets were recognised in the balance sheet at fair value (Note 1.11.1), with the exception of investments in companies controlled but not consolidated for €50 million (Notes 1.11.1, 1.15 and 9). Other non-current 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 (EIR) (Note 1.14). Securities and borrowings may, where appropriate, be covered by interest rate hedges and are remeasured with respect to the portion linked to interest rate changes; their fair value is close to their carrying amount in the balance sheet due to their small amount and the hedges (Notes 19 and 21.4.2).

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 12 and 20).

The breakdown of financial instruments at fair value by fair value hierarchy is as follows:

(millions of euros)	12/31/2009 Balance sheet amount	Breakdown by fair value hierarchy		
		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**	**-**

(millions of euros)	12/31/2008 Balance sheet amount	Breakdown by fair value hierarchy		
		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**	**-**

(millions of euros)	12/31/2007 Balance sheet amount	Breakdown by fair value hierarchy		
		Level 1	Level 2	Level 3
Available-for-sale assets	**144**	144	-	-
Derivatives	**129**	-	129	-
Assets	**273**	**144**	**129**	**-**
Derivatives	**81**	-	81	-
Liabilities	**81**	**-**	**81**	**-**

21.2. EFFECTS OF FINANCIAL INSTRUMENTS ON THE INCOME STATEMENT

(millions of euros)	**FY 2009 Impact in income**	Finance income and expenses	Fair value value	Translation adjustments	Gain (loss) on disposal	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)**

(millions of euros)	FY 2008 Impact in income	Finance income and expenses	Fair value value	Translation adjustments	Gain (loss) on disposal	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)**

(millions of euros)	FY 2007 Impact in income	Finance income and expenses	Fair value value	Translation adjustments	Gain (loss) on disposal	Net impairment
Investment securities	7	2	-	-	3	2
Other financial assets	(2)	(1)	-	-	-	(1)
Derivatives	(228)	-	(228)	-	-	-
Cash/net financial liabilities	19	3	(4)	1	19	-
Total	**(204)**	**4**	**(232)**	**1**	**22**	**1**

The finance 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 finance income and expenses (Notes 1.25 and 25.2).

Breakdown of hedges – assets:

(millions of euros)	**12/31/2009**	12/31/2008	12/31/2007
Financial instrument assets (*)	**28**	60	28
Financial instruments – currency hedges	**39**	19	87
Financial instruments – interest rate hedges	**-**	-	-
Financial instruments – commodity hedges	**23**	32	14
Total	**90**	**111**	**129**

(*) Foreign currency denominated receivables and debts are translated at the closing rate and the difference between the closing rate and the hedging rate is recognised under "Financial instruments – assets and liabilities"

(millions of euros)	FY 2009	FY 2008	FY 2007
At January 1	**111**	**129**	**55**
Business combinations	**-**	11	-
Changes in hedging instruments over the period – shareholders' equity	**14**	(43)	49
Changes in hedging instruments over the period – finance expense	**3**	(18)	16
Changes in financial instrument assets (*)	**(38)**	32	9
At 31 December	**90**	**111**	**129**

Breakdown of hedges – liabilities:

(millions of euros)	12/31/2009	12/31/2008	12/31/2007
Financial instrument liabilities (*)	**2**	6	2
Financial instruments – currency hedges	**9**	83	18
Financial instruments – interest rate hedges	**10**	9	-
Financial instruments – commodity hedges	**5**	60	61
Total	**26**	**158**	**81**

(millions of euros)	FY 2009	FY 2008	FY 2007
At January 1	**158**	**81**	**367**
Business combinations	**-**	-	-
Changes in hedging instruments over the period – shareholders' equity	**(124)**	65	(286)
Changes in hedging instruments over the period – finance expense	**(10)**	8	1
Changes in financial instrument liabilities (*)	**2**	4	(1)
At 31 December	**26**	**158**	**81**

(*) Foreign currency denominated receivables and debts are translated at the closing rate and the difference between the closing rate and the hedging rate is recognised under "Financial instruments – assets and liabilities"

21.3. RISK MANAGEMENT

The Group uses derivatives to control its exposure to foreign currency, interest rate and commodity risks. Management of the main risks was delegated by the Executive Committee to the Finance Department of the ERAMET group. 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).

21.3.1. Foreign currency risks

ERAMET is exposed to two types of foreign currency risks, 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 has centralised the foreign currency risk of its subsidiaries. Each Group company reports to Group Treasury its exposure in currencies other than its functional currency. This management is part of a multiyear policy with procedures approved by the Executive Committee along with monthly reporting to its members. The Group hedges its balance sheet foreign currency risk on a case-by-case basis.

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 hedge the Group's structurally long present and future positions on trading transactions, more than 50% of which are invoiced in foreign currencies, while production costs are for the most part denominated in euros. Since 2007, transactions have been carried out *via* the special purpose entity Medal Currencies. The subsidiaries in question determine the amount of their net exposure based on multi-year forecasts and budgets. The associated risks are then hedged with a maximum horizon of thirty six months if the amount exceeds €2 million or the equivalent thereof per currency, except where decided to the contrary. The Group uses various instruments to hedge its exposure to foreign currency risks: forwards and options.

Balance sheet risks: the ERAMET group partially hedges foreign currency risks to the balance sheet, primarily relating to the US dollar, by issuing debt denominated in the same currency as the net assets in question.

In 2009, the US$232 million loan for the acquisition of its Weda Bay Minerals Inc subsidiary in 2006 was rolled over. The risk on this dollar funding has been hedged since the beginning by means of a currency swap in euros.

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 (Note 2). 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 risks was hedged and unwound in 2008 when it was settled.

The breakdown of the hedging portfolio by currency is shown below:

As of December 31, 2009

	2009 sales			2010 sales			2011 sales and beyond		
(in foreign currency millions)	**Amount**	**Currency**	**Rate**	Amount	Currency	Rate	Amount	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									
EUR/USD	**246**	**USD**	**1.4578**						
	5	**EUR**	**1.502**						
EUR/SEK	**14**	**EUR**	**10.48**						
EUR/NOK	**824**	**NOK**	**8.9001**						
	740	**NOK**	**9.0498**						
EUR/GBP	**5**	**GBP**	**0.9176**						

As of December 31, 2008

	2008 sales			2009 sales			2010 sales and beyond		
(in foreign currency millions)	**Amount**	**Currency**	**Rate**	Amount	Currency	Rate	Amount	Currency	Rate
Commercial hedges									
EUR/USD	**693**	**USD**	**1.43920**	946	USD	1.40	505	USD	1.34
	(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**						

As of December 31, 2007

	2007 sales			2008 sales			2009 sales and beyond		
(in foreign currency millions)	**Amount**	**Currency**	**Rate**	Amount	Currency	Rate	Amount	Currency	Rate
Commercial hedges									
EUR/USD	**345**	**USD**	**1.3788**	1,565	USD	1.3694	-	-	-
EUR/NOK	**20**	**EUR**	**7.9461**	110	EUR	7.8599	-	-	-
EUR/GBP	**2**	**GBP**	**0.7099**	6	GBP	0.7039	-	-	-
GBP/USD	**3**	**USD**	**1.9785**	3	USD	2.0153	-	-	-
GBP/SEK	**2**	**GBP**	**13.0326**	7	GBP	13.3023	-	-	-
JPY/SEK	**47**	**JPY**	**0.0563**	144	JPY	0.0608	-	-	-
EUR/SEK	**4**	**EUR**	**9.3790**	5	EUR	9.2151	-	-	-
USD/SEK	**12**	**USD**	**6.5087**	10	USD	6.5658	-	-	-
EUR/JPY	**117**	**JPY**	**157.7304**	230	JPY	151.4743	-	-	-
Other hedges									
EUR/USD	**158**	**USD**	**1.4596**						
CAD/USD	**5**	**CAD**	**1.0169**						
EUR/JPY	**118**	**JPY**	**162.2952**						
EUR/GBP	**1**	**GBP**	**0.7208**						

As of December 31, 2009, the fair value of foreign currency hedges for transactional risks represented a €30 million asset (December 31, 2008: a €64 million net liability).

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 and purchases and payments; and
- the contractual rate for unwinding hedges,

are recognised by each company under current operating profit (loss) on sales (under "Translation adjustments on sales" – Note 22.2) or purchases (under "Cost of goods sold").

A change of plus or minus 10% in the exchange rates of the main currencies to which it is exposed would have an impact on the hedges offsetting shareholders' equity of -€57 million should rates rise and approximately +€61 million should rates fall.

The breakdown of foreign currency hedges (notional amounts) is as follows:

As of December 31, 2009

				FY 2009
(in foreign currency millions)	Forward sales	Forward 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 of December 31, 2008

				FY 2008
(in foreign currency millions)	Forward sales	Forward 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

As of December 31, 2007

	FY 2007			
(in foreign currency millions)	Forward sales	Forward purchases	Call options	Put options
Currency vs. EUR				
- USD	908	1	1,287	1,319
- JPY	340	-	250	125
- GBP	5	2	5	2
Currency vs. NOK				
- EUR	99	-	58	31
Currency vs. SEK				
- JPY	169	-	90	45
- GBP	7	-	5	3
- USD	17	-	10	5
- EUR	9	-	-	-
Currency vs. GBP				
- USD	4	-	3	1
Currency vs. USD				
- CAD	5	-	-	-

The pre-tax impact on shareholders' equity and earnings of financial instruments relating to foreign currency risks is shown below:

	Currency hedges					
	FY 2009		FY 2008		FY 2007	
(millions of euros)	Transactional risks	Balance sheet risks	Transactional risks	Balance sheet risks	Transactional risks	Balance sheet risks
At January 1	**(10)**	**(132)**	**95**	**(30)**	**42**	**(5)**
Change in unexpired hedging portion	**57**	**-**	(40)	-	68	-
Change in ineffective portion via income	**12**	**-**	(13)	-	2	-
Change in effective portion via income	**(3)**	**-**	(52)	-	(17)	-
Translation adjustments and other movements	**-**	**100**	-	(102)	-	(25)
At December 31	**56**	**(32)**	**(10)**	**(132)**	**95**	**(30)**
Changes recognised in shareholders' equity:						
- fair value reserve	**-**	**-**	-	-	-	-
- hedging reserve	**54**	**-**	(92)	-	41	-
- translation adjustments	**-**	**100**	-	(102)	-	(25)
Total	**54**	**100**	**(92)**	**(102)**	**41**	**(25)**
Changes recognised via income:						
- current operating profit	**3**	**-**	52	-	17	-
- net finance income	**12**	**-**	(13)	-	2	-
Total	**15**	**-**	**39**	**-**	**19**	**-**

21.3.2 Interest rate risks

The Group looks at its debt position and market trends when deciding whether or not interest rate hedging is necessary. The Group's Treasury Department is responsible for putting in place any hedges.

As of December 31, 2009, as in 2008, the Group had no interest rate hedges in place on its gross debt.

With respect to cash surpluses managed by Metal Securities, they are invested:

- in instruments bearing interest calculated on the basis of the EONIA (Euro OverNight Index Average) or EURIBOR (Euro InterBank Offered Rate) rates;
- in fixed-rate instruments swapped against EURIBOR.

The last category of instruments were recorded under "Other current financial assets" (Note 13.1) and hedged using interest rate forwards (fixed rates against floating rates). Other cash surpluses generated by Metal Securities are primarily invested in instruments bearing interest calculated on the basis of the EONIA (Euro OverNight Index Average) rate (Note 13.2).

The Group's surplus cash is invested on a short-term basis and its exposure to a 10 basis point decline in interest rates would have an approximately €1 million negative impact on the net borrowing cost.

The pre-tax impact of on shareholders' equity and earnings of financial instruments relating to interest rate risks is shown below:

	Interest rate hedges		
(millions of euros)	**FY 2009**	FY 2008	FY 2007
At January 1	**(9)**	**-**	**-**
Change in unexpired hedging portion	**(6)**	(9)	-
Change in ineffective portion via income	**-**	-	-
Change in effective portion via income	**5**	-	-
Translation adjustments and other movements	**-**	-	-
At December 31	**(10)**	**(9)**	**-**
Changes recognised in shareholders' equity:			
- fair value reserve	**-**	-	-
- hedging reserve	**(1)**	(9)	-
- translation adjustments	**-**	-	-
Total	**(1)**	**(9)**	**-**
Changes recognised via income:			
- current operating profit	**-**	-	-
- net finance income	**(5)**	-	-
Total	**(5)**	**-**	**-**

21.3.3. Commodity risks

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

The main Group entities involved are:

- ERAMET, Société Le Nickel-SLN and Aubert & Duval in respect of nickel;
- Société Le Nickel-SLN in respect of fuel oil;
- Aubert & Duval in respect of aluminium;
- Erasteel Kloster AB and ERAMET Norway Kvinesdal (formerly Tinfos Jenverk A/S) in respect of electricity.

The exposures to manganese and coke are not hedged since there is no organised market (over the counter market) for these commodities.

Hedges are put in place with a horizon of 1 to 4 years, depending on the commodities on the basis of the budget. Only a portion of planned consumption or production is hedged (for example, for fuel oil: on average 50% and a maximum of 80% of the budget is hedged). The Group uses various instruments to hedge and limit its exposure: forwards and options.

As of December 31, 2009, the fair value of hedges put in place for the various commodities were:

- €14 million asset for nickel (€32 million asset as of December 31, 2008);
- €5 million asset for fuel oil (€55 million liability as of December 31, 2008);
- €2 million asset for aluminium (€1 million liability as of December 31, 2008);
- €3 million liability for electricity (€4 million liability as of December 31, 2008).

The work in progress for the main commodities contracts are as follows:

As of December 31, 2009

	FY 2009		
(in tons)	Swaps	Call options	Put options
Nickel	**857**	**2,257**	**2,257**
Fuel oil	**98,582**	**236,191**	**178,691**

Excluding the 4,560 ton option maturing in 2011, exercisable, as the case may be, by the counterparty in November 2010, the fair value of which was zero at December 31, 2009.

As of December 31, 2008

	FY 2008		
(in tons)	Swaps	Call options	Put options
Nickel	177	4,500	4,500
Fuel oil	131,491	292,502	274,001

The pre-tax impact on shareholders' equity and gains (losses) of financial instruments relating to commodity risks is shown below:

	Commodity and energy hedging							
	FY 2009				FY 2008			
(millions of euros)	**Nickel**	**Fuel oil**	**Aluminium**	**Electricity**	Nickel	Fuel oil	Aluminium	Electricity
At January 1	**32**	**(55)**	**(1)**	**(4)**	**(50)**	**4**	**(1)**	**-**
Change in unexpired hedging portion	**9**	**29**	**3**	**(1)**	38	(52)	(1)	(4)
Change in ineffective portion via income	**(2)**	**5**	**-**	**(2)**	(5)	(7)	-	-
Change in effective portion via income	**(24)**	**26**	**-**	**4**	49	-	1	(4)
Translation adjustments and other movements	**(1)**	**-**	**-**	**-**	-	-	-	4
At December 31	**14**	**5**	**2**	**(3)**	**32**	**(55)**	**(1)**	**(4)**
Changes recognised in shareholders' equity:								
- fair value reserve	**-**	**-**	**-**	**-**	-	-	-	-
- hedging reserve	**(15)**	**55**	**3**	**3**	87	(52)	-	(4)
- translation adjustments	**-**	**-**	**-**	**-**	-	-	-	-
Total	**(15)**	**55**	**3**	**3**	**87**	**(52)**	**-**	**(4)**
Changes recognised via income:								
- current operating profit	**24**	**(26)**	**-**	**(4)**	(49)	-	(1)	4
- net finance income	**(2)**	**5**	**-**	**(2)**	(5)	(7)	-	-
Total	**22**	**(21)**	**-**	**(6)**	**(54)**	**(7)**	**(1)**	**4**

A change of plus or minus 20% in commodity prices would have a pre-tax hedge impact, charged to shareholders' equity that can be summarised as follows:

(millions of euros)	Nickel	Fuel oil	Aluminium	Electricity
+20% change in price	11	18	NA	NA
-20% change in price	(8)	(14)	NA	NA

21.3.4. 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 from a revolving credit facility and/or the issue of commercial paper.

Revolving credit facilities: In 2005, ERAMET entered into a five-year agreement for a €600 million multi-currency revolving credit facility with a select group of banks, with the option of extending it to seven years. In accordance with the agreement, the Group twice asked lenders to extend the term by a year, in 2006 and 2007. This facility now thus expires on May 24, 2012. It is designed to finance operations as well as capital expenditure on assets and was entered into on terms reflecting market terms when signing. This facility is subject to a single covenant (Note 19 – Loans and Covenants section below).

Commercial paper: In 2005, ERAMET established a €400 million commercial paper programme.

Repurchase agreements: On December 18, 2009, ERAMET signed a commitment to enter into a repurchase agreement. The amount available under this arrangement is €210 million at revolving 3 month maturities; this line is confirmed. The expiry date of this programme is March 18, 2011, or the European Central Bank's discontinuation of its LTRO (full allotment/fixed-rate) policy should this occur earlier.

Like at December 31, 2008, because of the cash surplus as of December 31, 2009, the revolving credit facility, commercial paper programme and repurchase agreements were all unused.

In addition, while its net cash position is clearly positive, the Group must repay its borrowings, primarily comprising finance leases and bank borrowings from credit establishments following the acquisition in early August 2008 of the Norwegian company Eralloys Holding A/S (Notes 2 and 19), and pay its other liabilities as well as derivatives, the maturity schedule of which is presented below:

(millions of euros)	Statement of financial position	Future payment schedule			Total
		Less than a year	One to five years	Over five years	
Bank loans	13	6	5	2	13
Bank overdrafts and creditor banks	31	31	-	-	31
Finance lease liabilities	46	6	24	21	51
Other borrowings and financial liabilities	181	35	134	38	207
Total borrowings	**271**	**78**	**163**	**61**	**302**
Derivatives	26	23	-	-	23
Trade and other payables	626	590	9	29	628
Current tax liabilities	74	74	-	-	74
Total other financial liabilities	**726**	**687**	**9**	**29**	**725**

The schedule of future receipts of financial assets is presented below:

(millions of euros)	Statement of financial position	Future payment schedule			Total
		Less than a year	One to five years	Less than a year	
Other current financial assets	405	409	-	-	409
Cash and cash equivalents	812	818	-	-	818
Total cash and cash equivalents	1,217	1,227	-	-	1,227
Derivatives	90	70	16	-	86
Receivables and other assets	519	514	2	3	519
Current tax receivables	43	43	-	-	43
Total other financial assets	**652**	**627**	**18**	**3**	**648**

Borrowings may, as the case may be, be covered by bank covenants, either at Group level or locally, the main ones being:

Company	Type of facility		Ratio	Amounts
ERAMET	Renewable credit facility	Net borrowings/ Shareholders' equity	< 1	EUR 600 M
Erachem Comilog Inc.	Miscellaneous	EBITDA/Borrowings	> 3	USD 2 M
Gulf Chemical & Metallurgical Corp.	Miscellaneous bank facilities	Other borrowings	> USD 500 K	USD 5 M
		Borrowings/shareholders' equity	< 1	
		Current assets/current liabilities	< 1.15	
		Net property, plant and equipment	< USD 90 M	
ERAMET Norway Kvinesdal A/S (ex Tinfos Jernverks A/S)	Renewable credit facility	Shareholders' equity/ balance sheet total	> 35%	NOK 400 M
		Borrowings/EBITDA	< 3	
ERAMET Titanium & Iron A/S	Miscellaneous bank facilities	Shareholders' equity/ balance sheet total	> 35%	NOK 150 M
		Shareholders' equity	> NOK 200 M	
		EBITDA/Borrowings	> 0.15	

As of December 31, 2009, all these covenants were respected.

21.3.5. Credit or counterparty risks

The Group is exposed to several types of counterparty risks: for its customers and its 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 past due receivables is shown below:

	12/31/2009		12/31/2008		12/31/2007	
(millions of euros)	**Gross amounts**	**Impairment**	Gross amounts	Impairment	Gross amounts	Impairment
Time or not due	**252**	**(1)**	261	(1)	415	(4)
Delays:						
- less than a month	**73**	**(1)**	84	(1)	104	(1)
- between one and three months	**38**	**(2)**	90	(1)	35	-
- between three and six months	**6**	**(1)**	9	(3)	4	-
- between six and nine months	**2**	**(2)**	3	(3)	1	-
- between nine and twelve months	**1**	**(1)**	2	(2)	1	(1)
- over a year	**28**	**(28)**	23	(22)	1	(1)

No material unpaid or impaired receivables have been renegotiated.

21.3.6. 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 8). As of December 31, 2009, ERAMET held 81,732 treasury shares (389,475 shares as of December 31, 2008), representing an investment recognised as a €9 million deduction from shareholders' equity (€63 million as of December 31, 2008) (Note 14). ERAMET's shares have been traded on the Euronext Paris Deferred Settlement System (SRD) since March 28, 2006, and since July 2, 2007 on the N150 index. There is thus a risk related to the volatility of its stock price to the extent that such price may be lower than the net carrying amount. It should be noted that as of December 31, 2009, there was an unrealised capital gain on the company's treasury stock of €9 million (unrealised capital loss of €10 million as of December 31, 2008).

Note 22. Sales and other income

22.1. SALES

(millions of euros)	FY 2009	FY 2008	FY 2007
Sales of goods	**2,580**	4,216	3,669
Sales of services	**109**	130	123
Total	**2,689**	**4,346**	**3,792**

2009 consolidated sales amounted to €2,689 million compared to €4,346 million in 2008, down 38.1%, taking into account the €88 million positive impact of foreign exchange changes.

22.2. OTHER INCOME

(millions of euros)	FY 2009	FY 2008	FY 2007
Translation adjustments on sales	**(54)**	92	37
Capitalised production	**13**	19	11
Other	**21**	15	14
Total	**(20)**	**126**	**62**

The "Translation adjustments on sales" heading contains 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 unwinding hedge (or guaranteed rate) positions and the monthly exchange rate used to recognise receipts.

Note 23. Depreciation, amortisation and provisions

23.1. DEPRECIATION AND AMORTISATION OF AND PROVISIONS FOR NON-CURRENT ASSETS

(millions of euros)	FY 2009	FY 2008	FY 2007
Intangible assets	**(8)**	(8)	(8)
Property, plant & equipment	**(192)**	(178)	(163)
Intangible assets – acquisition price allocation	**(8)**	-	-
Property, plant and equipment – acquisition price allocation	**(2)**	-	-
Total	**(210)**	**(186)**	**(171)**

Amortisation during the period included (€10) million in respect of the allocation to non-current assets of the acquisition price of Eralloys Holding A/S (Note 2).

23.2. PROVISIONS

(millions of euros)	FY 2009	FY 2008	FY 2007
Pension and related liabilities	**(11)**	(5)	(4)
Other payroll contingencies and losses	**1**	-	(5)
Environmental contingencies	**1**	(1)	(1)
Site restoration	**1**	(1)	-
Other contingencies and losses	**(4)**	9	4
Total	**(12)**	**2**	**(6)**

Note 24. Other operating income and expenses

(millions of euros)	FY 2009	FY 2008	FY 2007
Gains on asset disposals	**-**	1	3
Restructuring and redundancy plans	**(2)**	(1)	1
Losses on impairment tests	**(51)**	(48)	3
Site restoration	**-**	(3)	(50)
Other items – income	**6**	15	8
Other items – expenses	**(57)**	(42)	(22)
Of which:			
- development project Namibia	**(23)**	-	-
- employee benefits	**(8)**	(15)	1
- development projects Gabon (Niobium…)	**(6)**	(7)	(7)
- other development projects	**(8)**	2	(2)
- disputes with suppliers and third parties	**(7)**	8	(6)
- inventory adjustment/Tinfos acquisition	**-**	(16)	-
Total	**(104)**	**(78)**	**(57)**

Losses on impairment tests: In 2008, in the US, the Manganese Division respectively recorded €31 million and €4 million in writedowns in respect of the assets at the catalyst recycling and "Special Products" businesses following the carrying out of an impairment test (Notes 6 and 7). The goodwill calculated upon acquisition of the interest in the Gabonese company Port Minéralier d'Owendo SA (Manganese Division) was written down by €5 million in 2008 and in 2009 (Notes 4 and 7). A further €7 million was written down for unused assets in the Nickel Division in New Caledonia (Notes 6 and 7). In 2009, an impairment test was performed on the Erasteel "High-Speed Steels" business in the Alloys Division and a €47 million writedown was recorded on the non-current assets (Notes 4, 5, 6 and 7).

Site restoration: As of December 31, 2007, additional provisions were funded, primarily for the Nickel Division (€13 million) in order to reflect the revision of the costs and areas to be restored at the closed mining sites, as well as provisions in the Manganese Division (€34 million) to cover environmental obligations and contingencies for European and US sites.

Note 25. Net borrowing cost and other finance income and expenses

25.1. NET BORROWING COST

(millions of euros)	FY 2009	FY 2008	FY 2007
Interest income	**22**	47	17
Interest expense	**(15)**	(11)	(14)
Net income on marketable securities	**3**	6	19
Changes in fair value of marketable securities	**4**	(6)	(4)
Net translation adjustments	**(3)**	(2)	1
Other	**-**	-	-
Total	**11**	**34**	**19**

25.2. OTHER FINANCE INCOME AND EXPENSES

(millions of euros)	FY 2009	FY 2008	FY 2007
Investment and dividend income	**2**	5	2
Gain (loss) on the disposal of investments in associates	**1**	-	(1)
Increases in/reversals of net financial provisions	**(6)**	(1)	-
Net translation adjustments	**-**	-	-
Reversal of discounting	**(9)**	(10)	(6)
Financial instruments ineligible as hedges	**13**	(26)	15
Securitisation financial expenses	**(2)**	(6)	(3)
Other	**(11)**	(37)	(1)
Total	**(12)**	**(75)**	**6**

Reversal of discounting relates to provisions for mining site restoration (Note 17.5). The financial instruments that do not qualify as hedges correspond to the portion of hedging instruments (currencies/commodities/interest rates) recognised in income in line with IAS 32 and 39 (Note 21).

In 2008, other items included the effects of unwinding currency hedges following the downward revision of sales budgets representing a €55 million loss and trading transactions presenting a gain of €20 million. In 2009, the €7 million loss from unwinding currency hedges broke down into €5 million in respect of foreign currencies and €2 million in respect of electricity.

Note 26. Income tax

26.1. BY CATEGORY

(millions of euros)	FY 2009	FY 2008	FY 2007
Current tax	**(53)**	(332)	(304)
Deferred tax	**60**	(15)	(46)
Total	**7**	**(347)**	**(350)**

26.2. EFFECTIVE TAX RATE

(millions of euros)	FY 2009	FY 2008	FY 2007
Operating profit	**(267)**	1,243	1,139
Net borrowing cost	**11**	34	19
Other finance income and expenses	**(12)**	(75)	6
Profit (loss) for the period before tax of consolidated companies	**(268)**	**1,202**	**1,164**
Standard tax rate in France (%)	**33.33%**	33.33%	33.33%
Theoretical tax expense:	**89**	**(401)**	**(388)**
Impact on theoretical tax:			
- of permanent differences between accounting and taxable profit	**(17)**	21	16
- of additional contributions in France	**-**	(1)	(2)
- of standard tax rate differences in foreign countries	**(14)**	7	(5)
- of reduced tax rates	**4**	6	3
- of tax credits	**2**	3	17
- of withholding tax on dividends	**(10)**	(7)	(11)
- of unrecognised or limited deferred tax assets	**(17)**	16	17
- of tax audits	**(36)**	-	-
- of miscellaneous items	**6**	9	3
Actual tax expense	**7**	**(347)**	**(350)**
Effective tax rate	**3%**	**29%**	**30%**

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 total tax rate in France is thus 34.43%.

Permanent differences are primarily represented by the portion of the provision for reconstituting mining reserves in New Caledonia definitively allocated to investments and, in 2009, by the impairment of tax exempt assets at the "High-Speed Steels" business (Notes 7 and 24).

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 2009
Sweden	**26.3%**
Norway	**28%**
US	**35%**
New Caledonia	**35%**
Gabon	**35%**
China	**7.5% – 25%**

In 2007, Société Le Nickel-SLN obtained and applied a €15 million tax credit in New Caledonia for the Tiebaghi washing plant investment project (75,000 ton nickel production expansion project – Note 6.3).

The withholding tax on dividends primarily relates to dividends paid during the period and planned for the coming period by ERAMET's foreign subsidiaries, particularly in New Caledonia (5%, for €1 million) and Gabon (15%, for €9 million).

In 2009, unrecognised prior tax losses amounted to €13 million, breaking down into €9 million for the Manganese Division (Setrag SA, Erachem Comilog SA and Comilog France) and €4 million for the Alloys Division ("High-Speed Steels" business). In the Manganese Division (Erachem Comilog SA), deferred tax assets relating to temporary differences were impaired by €4 million.

Previously unrecognised prior tax losses used in 2008 amounted to €16 million (Comilog SA, Erachem Comilog SA, Comilog France) compared to €10 million in 2007. Deferred tax assets similarly relating to previously unrecognised temporary differences amounted to €7 million in 2007 (ERAMET Marietta Inc., Erachem Comilog SA).

Miscellaneous items mostly concern prior year tax adjustments.

Several ongoing tax audits were completed in 2009. In New Caledonia, the impact of the €40 million tax adjustment (€25 million after the inclusion of deferred taxes on temporary differences) was recognised and the €15 million tax credit obtained in 2007 was partially reduced to €9 million. The impact of the other tax audits was under €1 million.

Income tax on other comprehensive profit (loss) for the period breaks down as follows:

(millions of euros)	FY 2009	FY 2008	FY 2007
Translation adjustments on financial statements of subsidiaries denominated in foreign currencies	-	-	-
Change in financial instrument revaluation reserve	(46)	42	(117)
Change in fair value of financial assets held for sale	(7)	4	-
Total	**(53)**	**46**	**(117)**

Note 27. Earnings per share

	FY 2009			FY 2008			FY 2007		
	Earnings	Number of shares	Earnings per share	Earnings	Number of shares	Earnings per share	Earnings	Number of shares	Earnings per share
Basic earnings per share	(265)	26,090,386	(10.16)	694	25,687,311	27.03	582	25,666,698	22.67
Subscription options	-	43,440	-	-	67,419	-	-	151,953	-
Purchase options	-	-	-	-	-	-	-	-	-
Diluted earnings per share	**(265)**	**26,133,826**	**(10.15)**	**694**	**25,754,730**	**26.96**	**582**	**25,818,651**	**22.54**

The base number of shares corresponds to the weighted average number of shares, less the weighted number of treasury shares:

	Ordinary shares		Treasury stock		Shares in circulation	
	At end of period	Weighted average	At end of period	Weighted average	At end of period	Weighted average
Number of shares on December 31, 2006	**25,880,894**	**25,880,894**	**130,257**	**130,257**	**25,750,637**	**25,750,637**
Purchases and sales – liquidity contract	-	-	(11,862)	(4,986)	11,862	4,986
STCPI stock swap	-	-	252,885	111,547	(252,885)	(111,547)
Subscription option exercises by employees	12,012	6,344	-	-	12,012	6,344
Purchase option exercises by employees	-	-	(30,494)	(16,278)	30,494	16,278
Bonus shares granted to employees	12,715	-	-	-	12,715	-
Number of shares as on December 31, 2007						
- **weighted average**	**-**	**25,887,238**	**-**	**220,540**	**-**	**25,666,698**
- **at December 31**	**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)
Issue of securities for Tinfos A/S acquisition	241,491	101,228	-	-	241,491	101,228
Subscription option exercises by employees	68,119	31,503	-	-	68,119	31,503
Purchase option exercises by employees	-	-				
Bonus shares granted to employees		-	-	-		-
Number of shares on December 31, 2008						
- **weighted average**	**-**	**26,038,352**	**-**	**351,041**	**-**	**25,687,311**
- **at December 31**	**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
Issue of securities for Tinfos A/S acquisition	387,488	227,185	-	-	387,488	227,185
Cancellation of treasury shares	(252,885)	(106,004)	(252,885)	(106,004)	-	-
Subscription option exercises by employees	19,979	10,977	-	-	19,979	10,977
Purchase option exercises by employees	-	-	-	-	-	-
Bonus shares granted to employees	-	-	(25,830)	(12,499)	25,830	12,499
Number of shares on December 31, 2009						
- **weighted average**	**-**	**26,347,389**	**-**	**257,003**	**-**	**26,090,386**
- **at December 31**	**26,369,813**	**26,369,813**	**81,732**	**81,732**	**26,288,081**	**26,288,081**

The number of unexercised share subscription options as of December 31, 2009 was 43,440 (93,249 as of December 31, 2008). These 43,440 potentially subscribable shares (67,419 shares as of December 31, 2008) were included in diluted earnings per share, as no option was not exercisable at the end of 2009 (25,830 at year-end 2008). ERAMET has not issued any other financial instruments that would be likely to cause the dilution of earnings per share.

Note 28. ERAMET/STCPI stock swap

Pursuant to the Société Le Nickel-SLN shareholders' agreement of September 12 and 13, 2000 between ERAMET and Société Territoriale de Participation Industrielle (STCPI), following the agreement of July 17 between the State, the provinces of New Caledonia and the representatives of the island's main political parties, on December 6, 2006, STCPI exercised the option ERAMET granted it to sell it 4% of the share capital of Société Le Nickel-SLN *via* a swap for ERAMET shares at a rate of three ERAMET shares for every five of Nickel-SLN. The Board of Directors decided to proceed with this stock swap on the terms of the shareholders' agreement. The finalisation of this transaction was approved by the General Shareholders' Meeting of July 23, 2007. ERAMET's interest in Société Le Nickel-SLN was thus consolidated at 56% as of that date (previously 60%). The disposal of the 4% generated a capital gain of €4 million. ERAMET received 252,885 of its own shares, for an amount valued at a purchase price of €52 million (Note 14.1). Minority interests rose from 40% to 44% for a sum of €45 million (Note 15).

Note 29. Off-balance sheet commitments

(millions of euros)	12/31/2009	12/31/2008	12/31/2007
Commitments given			
Endorsements, pledges and guarantees	**103**	64	56
Collateral security:	**38**	197	2
- Property, plant, and equipment	**1**	76	2
- Non-current financial assets	**-**	-	-
- Inventories	**19**	76	-
- Receivables and other assets	**18**	45	-
Non-current asset orders	**-**	-	5
Commitments received			
Endorsements, pledges and guarantees	**14**	11	18
Collateral security	**Nil**	Nil	Nil
Credit facilities	**600**	600	600

Commitments for orders of non-current assets only relate to strategic capital expenditure projects (discussed in Note 6.3). The above table does not include current business orders (from customers or with suppliers). The drop-off 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 of endorsements, pledges and guarantees given corresponds to the bank guarantee provided to the Southern Province of New Caledonia by Société Le Nickel-SLN for environmental monitoring of the Doniambo site, possible work and restoration of the site after its closure. A site restoration provision was funded for part of these commitments (Note 17.5).

The substantial reduction in security interests in 2007 was mostly due to early repayment of borrowings in the Manganese Division. In 2008, the increase stemmed from the consolidation of the Norwegian company Eralloys Holding A/S (Note 2) where the bank borrowings of its industrial subsidiaries are secured by mortgages on assets. These borrowings were repaid in 2009, which accounts for the significant drop in security interests.

"Transgabonais" railway concession – Setrag SA

Pursuant to the terms of the November 2005 agreement for an initial term of thirty years, Setrag SA, the concession operator, is required to satisfy operating capacity targets (volume of goods and number of passengers). The concession operator is free to set its rates. Its major shareholder, Comilog SA, undertook that the financing necessary for the capital expenditure that would enable the operating capacity targets to be achieved, would be put in place.

Operating leases

Operating leases recognised in income amounted to €42 million (as of December 31, 2008: €46 million) primarily involving real estate and transport equipment leases, in particular in New Caledonia and Gabon.

Note 30. Other commitments

The Indonesian state company Pt Antam, owner of 10% of Pt Weda Bay Nickel, has a stock option exercisable between the submission date of a feasibility study by an independent banking institution and 30 days later. The price of this option for 15% of the share capital in Pt Weda Bay Nickel will be measured at 150% of the expenses incurred as of the date of the construction decision. Pt Antam also has an additional stock option exercisable during the first 60 days of the 14th year of production over an additional minimum 5% interest and the percentage required to hold a maximum 40% interest. If Pt Weda Bay Nickel is listed on a stock exchange, the price of the shareholding shall be established by determining the average price in the 60 days prior and 60 days subsequent to exercising the option. If Pt Weda Bay Nickel is not listed, the shareholding will be valued by independent experts.

Note 31. Related party transactions

Related party transactions included the main ordinary transactions carried out with companies controlled but not consolidated (Notes 1.11.1 and 9) and associates (Note 8).

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 2009 are provided below:

(millions of euros)	**FY 2009**	FY 2008	FY 2007
Sales			
- Non-consolidated controlled subsidiaries	**61**	159	60
- Associates	**-**	-	-
Cost of sales and administrative and selling expenses			
- Non-consolidated controlled subsidiaries	**(11)**	(7)	(4)
- Associates	**-**	(3)	(4)
Net borrowing cost			
- Non-consolidated controlled subsidiaries	**-**	-	-
- Associates	**-**	-	-

In 2009, the balance sheet assets and liabilities resulting from related-party transactions were as follows:

(millions of euros)	**FY 2009**	FY 2008	FY 2007
Trade and other receivables			
- Non-consolidated controlled subsidiaries	**17**	51	16
- Associates	**-**	-	-
Trade and other payables			
- Non-consolidated controlled subsidiaries	**4**	4	-
- Associates	**-**	-	-
Net financial assets (liabilities)			
- Non-consolidated controlled subsidiaries	**7**	3	(2)
- Associates	**-**	-	-

ERAMET does not provide any guarantees on related-party debts.

In 2009, the gross compensation and benefits to Directors and members of the Executive Committee included in the Group's profit (loss) for the period were as follows:

(thousands of euros)	FY 2009	FY 2008	FY 2007
Short-term benefits			
- Fixed remuneration	**2,672**	2,507	2,331
- Variable remuneration	**1,279**	1,035	812
- Directors' fees	**502**	415	394
Other benefits			
- Post-employment benefits	**824**	7,750	139
- Termination benefits	**-**	-	2,927
- Share-based payment	**445**	815	1,019
Total	**5,722**	**12,522**	**7,622**

Note 32. Workforce and personnel costs

32.1. AVERAGE WORKFORCE BY DIVISION

	FY 2009	FY 2008	FY 2007
Nickel	**3,106**	3,057	2,875
Manganese	**6,604**	6,723	6,503
Alloys	**4,618**	4,797	4,684
Holding company and miscellaneous	**137**	125	113
Total	**14,465**	**14,702**	**14,175**

32.2. WORKFORCE BY DIVISION AT END OF PERIOD

	12/31/2009	12/31/2008	12/31/2007
Nickel	**3,073**	3,126	2,946
Manganese	**6,402**	7,132	6,719
Alloys	**4,571**	4,847	4,724
Holding company and miscellaneous	**137**	136	118
Total	**14,183**	**15,241**	**14,507**

32.3. PERSONNEL COSTS BY CATEGORY

(millions of euros)	FY 2009	FY 2008	FY 2007
Wages and salaries	**(402)**	(408)	(394)
Profit-sharing	**(5)**	(25)	(26)
Other personnel costs	**(164)**	(165)	(140)
Employee benefits	**(6)**	6	7
Share-based payment	**(3)**	(2)	(2)
Total	**(580)**	**(594)**	**(555)**
Personnel costs – temporary staff	**(10)**	(31)	(31)
Personnel costs – income statement	**(590)**	**(625)**	**(586)**
Payroll to sales (including temporary staff)	**22%**	14%	15%
Average personnel cost (excluding temporary staff) – thousands of euros	**(40)**	(40)	(39)

Note 33. 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:

(thousands of euros)	FY 2009		FY 2008		FY 2007	
Statutory auditing, certification of the separate and consolidated financial statements		**2,436**		2,350		2,665
- Ernst & Young	**1,186**		1,117		1,357	
- Deloitte & Associés	**1,044**		944		838	
- Other	**206**		289		470	
Other services directly related to the statutory auditing		**151**		173		42
- Ernst & Young	**71**		23		6	
- Deloitte & Associés	**62**		122		5	
- Other	**18**		28		31	
Other services provided		**355**		1,293		329
- Ernst & Young	**22**		185		101	
- Deloitte & Associés	**164**		484		19	
- Other	**169**		624		209	
Total		**2,942**		**3,816**		**3,036**

Note 34. Other disclosures

Carlo Tassara France (part of the Romain Zaleski group) is an ERAMET shareholder and owns 3,394,146 shares (or 12.87% of the capital as of December 31, 2009), having regard to an estimate based on the most recent threshold crossing declaration by this company (no. 207C0134 of January 17, 2007).

On December 17, 2009, Carlo Tassara France summoned Sima, Sorame and Ceir, as well as members of the Duval family, to appear before the Paris Commercial Court. The summons specifies that these proceedings are being brought in the presence of ERAMET. In its writ, Carlo Tassara France first alleges that the presentation of the Sima group to ERAMET shareholders in 1999 was distorted as a result of the concealment from ERAMET shareholders of SMC's debt, a 38.5% Sima subsidiary, consolidated under the equity method and not fully consolidated, and that Sima allegedly concealed from the Appraisers and shareholders of ERAMET that it had full control over SMC. Carlo Tassara France then disputes the manner in which ERAMET was brought to fund SMC *via* Sima between 1999 and 2002 (date of liquidation of SMC), through loans that were improperly granted as they were not approved beforehand by the Board of Directors of ERAMET. Carlo Tassara France requests that the Court rule that said loans proved to be detrimental to ERAMET and order Édouard, Georges, Patrick and Cyrille Duval to jointly and severally pay ERAMET the total sum of €76.4 million in damages.

Carlo Tassara France is seeking the cancellation of the resolutions of the ERAMET General Shareholders' Meeting on July 21, 1999 approving the contribution of Sima's shares to ERAMET, the cancellation of the ERAMET shares issued in consideration for said contribution and the reduction of ERAMET's share capital by the amount of the cancelled shares, as well as the return by the holders of those shares of the dividends earned since 1999 and estimated by Carlo Tassara France at €201 million and the return by ERAMET to said contributors of the Sima shares and of the dividends received from Sima since 1999.

Though the summons is not directed against ERAMET or against its past or current corporate bodies, it is however likely that, were it to prevail, it would have serious implications for ERAMET as, in particular, it would lead to a significant reduction in its share capital, the exit of Sima (and hence of Aubert & Duval) from the scope of the Group's activities. ERAMET points out that the Sima share contribution was approved by the ERAMET Extraordinary General Shareholders' Meeting on July 21, 1999, based on the report of two Appraisers appointed by the President of the Paris Commercial Court, the report of the Board of Directors of ERAMET, the appendix to which was signed by the COB (French Securities and Exchange Commission) on July 6, 1999 (document no. E 99-944) and the opinion as regards fairness attached to that document E.

Note 35. Events after the balance sheet date

In early January 2010, ERAMET acquired the French company VALDI specialised in the treatment and recycling of non-ferrous metals. VALDI, with two production sites in France, employed close to 90 people and generated sales of €25 million in 2008.

On Tuesday, February 16, 2010, ERAMET and BOLLORÉ signed an agreement for exploration of lithium deposits in Argentina. This agreement, which includes an option for the purchase of deposits after 24 months of exploration and study of a lithium carbonate unit, is a first step in the development strategy of the BOLLORÉ – ERAMET Lithium venture.

To the best of the company's knowledge, there are no other significant events after the balance sheet date to report.

Note 36. Operating segments

36.1. BY BUSINESS SEGMENT

(millions of euros)	Nickel	Manganese	Alloys	Holding and eliminations	Total
FY 2009					
External sales	649	1,289	750	1	2,689
Inter-segment sales	6	-	-	(6)	-
Sales	**655**	**1,289**	**750**	**(5)**	**2,689**
Cash generated from operations	(15)	13	(21)	(19)	(42)
EBITDA	13	72	(5)	(21)	59
Current operating profit	(62)	(27)	(49)	(25)	(163)
Other operating income and expenses	-	-	-	-	(104)
Operating profit	-	-	-	-	(267)
Net borrowing cost	-	-	-	-	11
Other finance income and expenses	-	-	-	-	(12)
Share of profit of associates	-	-	-	-	-
Income tax	-	-	-	-	7
Attributable to non-controlling interests	-	-	-	-	(4)
Attributable to owners of the company	-	-	-	-	(265)
Non-cash expenses	(57)	(86)	(90)	14	(219)
- depreciation & amortisation	(75)	(92)	(47)	(17)	(231)
- provisions	(57)	(3)	2	-	(58)
- impairment losses	-	(3)	(48)	-	(51)
Industrial capital expenditure (intangible assets and property, plant, and equipment)	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, ex cluding shareholders' equity)	**748**	**972**	**537**	**(492)**	**1,765**
FY 2008					
External sales	896	2,347	1,102	1	4,346
Inter-segment sales	1	1	-	(2)	-
Sales	**897**	**2,348**	**1,102**	**(1)**	**4,346**
Cash generated from operations	249	814	74	(27)	1,110
EBITDA	239	1,163	122	(19)	1,505
Current operating profit	169	1,088	86	(22)	1,321
Other operating income and expenses	-	-	-	-	(78)
Operating profit	-	-	-	-	1,243
Net borrowing cost	-	-	-	-	34
Other finance income and expenses	-	-	-	-	(75)
Share of profit of associates	-	-	-	-	-
Income tax	-	-	-	-	(347)
Attributable to non-controlling interests	-	-	-	-	(161)
Attributable to owners of the company	-	-	-	-	694
Non-cash expenses	(117)	(84)	(38)	(16)	(255)
- depreciation & amortisation	(72)	(62)	(41)	(2)	(177)
- provisions	(9)	21	2	6	20
- impairment losses	(7)	(41)	-	-	(48)
Industrial capital expenditure (intangible assets and property, plant, and equipment)	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, ex shareholders' equity)	**765**	**1,058**	**638**	**(225)**	**2,236**

(millions of euros)	Nickel	Manganese	Alloys	Holding and eliminations	Total
FY 2007					
External sales	1,285	1,473	1,033	1	3,792
Inter-segment sales	5	-	-	(5)	-
Sales	**1,290**	**1,473**	**1,033**	**(4)**	**3,792**
Cash generated from operations	574	389	84	(18)	1,029
EBITDA	758	515	112	(12)	1,373
Current operating profit	693	440	78	(15)	1,196
Other operating income and expenses	-	-	-	-	(57)
Operating profit	-	-	-	-	1,139
Net borrowing cost	-	-	-	-	19
Other finance income and expenses	-	-	-	-	6
Share of profit of associates	-	-	-	-	-
Income tax	-	-	-	-	(350)
Attributable to non-controlling interests	-	-	-	-	(232)
Attributable to owners of the company	-	-	-	-	582
Non-cash expenses	(89)	(106)	(41)	21	(215)
- depreciation & amortisation	(62)	(66)	(39)	(2)	(169)
- provisions	(13)	(13)	4	(2)	(24)
- impairment losses	-	2	1	-	3
Industrial capital expenditure (intangible assets and property, plant, and equipment)	135	129	54	1	319
Total balance sheet assets (current and non-current)	**2,600**	**1,492**	**1,047**	**(265)**	**4,874**
Total balance sheet liabilities (current & non-current, ex shareholders' equity)	**912**	**597**	**553**	**(223)**	**1,839**

36.2. BY GEOGRAPHIC AREA

(millions of euros)	Europe	North America	Asia	Oceania	Africa	South America	Total
Sales (location of sales)							
FY 2009	1,270	466	840	24	72	17	2,689
FY 2008	2,224	812	1,156	44	91	19	4,346
FY 2007	1,985	643	922	58	150	34	3,792
Industrial capital expenditure (intangible assets and property, plant, and equipment)							
FY 2009	83	16	54	65	68	-	286
FY 2008	122	47	34	156	60	-	419
FY 2007	76	46	28	111	58	-	319
Total balance sheet assets (current and non-current)							
FY 2009	3,157	352	533	903	325	-	5,270
FY 2008	3,725	430	587	1,017	210	-	5,969
FY 2007	2,916	346	425	825	362	-	4,874

6.1.3. REPORT OF THE STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS — YEAR ENDED DECEMBER 31, 2009

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 December 31, 2009 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 December 31, 2009 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 Note 1.1 "General principles and declaration of conformity" to the consolidated financial statements describing the changes in accounting rules and methods.

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:

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.

BUSINESS COMBINATIONS

Notes 1.3 and 1.6. to the consolidated financial statements sets forth the accounting policies and methods applied for the recognition of business combinations. We ensured ourselves that the acquisitions completed during the period have been recognized in accordance with IFRS. The provisional allocation of the purchase price to identified assets and liabilities has been prepared by your company using the estimated fair value of the underlying assets and liabilities described in Note 2.1. to the consolidated financial statements. We have examined the documentation available and assessed the reasonableness of the estimates adopted.

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.

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 the law, we have also verified 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, March 1, 2010
The Statutory Auditors

ERNST & Young Audit
Aymeric de la Morandière

Deloitte & Associés
Alain Penanguer

6.2. 2009 separate financial statements

6.2.1. INCOME STATEMENT, BALANCE SHEET 2009

1. Balance sheet

ASSETS

(thousands of euros)	Notes	Gross amounts	Depreciation, amortisation and provisions	12/31/2009 Net amounts	12/31/2008 Net amounts
Intangible assets					
Concessions, patents, licences, trademarks, processes, rights and similar assets		7,900	7,655	**245**	843
Goodwill					
Other					
Non-current assets in progress		2,345	1,903	**442**	1,228
Down-payments					
Subtotal		**10,245**	**9,558**	**687**	**2,071**
Property, plant & equipment					
Land		1,131	0	**1,131**	1,131
Buildings		22,556	14,413	**8,143**	9,145
Technical installations, machinery and equipment		54,720	42,366	**12,354**	12,665
Other		10,383	6,538	**3,845**	4,295
Non-current assets in progress		428	0	**428**	242
Down-payments		88	0	**88**	89
Subtotal		**89,307**	**63,317**	**25,989**	**27,567**
Non-current financial assets					
Investments in associates		1,635,874	127,684	**1,508,190**	1,659,383
Receivables on investments in associates	2	549,121	0	**549,121**	281,878
Other capitalised investments		8,580	0	**8,580**	53,768
Other	2	34,565	13,379	**21,186**	30,540
Subtotal		**2,228,141**	**141,063**	**2,087,078**	**2,025,569**
Non-current assets	**1**	**2,327,693**	**213,938**	**2,113,755**	**2,055,207**
Inventories and work in progress					
Raw materials and other supplies		26,722	3,883	**22,838**	21,513
Work in progress		7,410	0	**7,410**	6,051
Semi-finished and finished products		18,729	0	**18,729**	20,749
Goods		32,109	0	**32,109**	35,615
Subtotal	**7**	**84,969**	**3,883**	**81,086**	**83,928**
Down-payments made on orders		**2,001**	**0**	**2,001**	**2,558**
Operating receivables					
Trade receivables		88,874	769	**88,105**	66,088
Other receivables		26,188	10,294	**15,895**	63,620
Subtotal	**2 & 7**	**115,062**	**11,063**	**103,999**	**129,708**
Cash & cash equivalents	**3**	**1,674**	**0**	**1,674**	**49**
Accruals					
Prepaid expenses		1,543	0	**1,543**	1,164
Deferred debt issue costs		92	0	**92**	312
Subtotal	**4**	**1,635**	**0**	**1,635**	**1,476**
Current assets		**205,342**	**14,947**	**190,395**	**217,719**
Translation adjustments		0		**0**	0
Total assets		**2,533,035**	**228,885**	**2,304,150**	**2,272,926**

SHAREHOLDERS' EQUITY & LIABILITIES

(thousands of euros)	Notes	12/31/2009	12/31/2008
Share capital	6	**80,428**	79,957
Issue, merger and contribution premiums		**341,255**	344,832
Legal reserve		**7,996**	7,901
Regulated reserves		**0**	
Other reserves		**253,839**	253,839
Retained earnings		**483,564**	471,252
Profit (loss) for the period		**(29,942)**	148,159
Net assets	**5**	**1,137,140**	**1,305,940**
Capital grants			
Regulated provisions	8	**74,346**	55,506
Shareholders' equity		**1,211,486**	**1,361,446**
Provisions for contingencies		**11,284**	22,226
Provisions for losses	8	**5,047**	5,337
Provisions for contingencies and losses		**16,331**	**27,563**
Borrowings			
Bank loans		**132**	714
Miscellaneous borrowings		**374**	374
Inter-company current accounts		**932,451**	776,292
Subtotal		**932,958**	**777,380**
Down-payments received on orders		**1,073**	**205**
Operating payables			
Trade payables		**118,331**	90,703
Tax and payroll liabilities		**11,216**	13,177
Miscellaneous liabilities			
Liabilities on non-current assets		**973**	1,065
Other liabilities		**11,762**	1,367
Accruals			
Prepaid income		**20**	20
Liabilities	**10 & 11**	**1,076,333**	**883,917**
Translation adjustments		**0**	0
Total shareholders' equity and liabilities		**2,304,150**	**2,272,926**

2. Income statement

(thousands of euros)	Notes	FY 2009	FY 2008
Operating income			
Sales of goods and merchandise		**688,211**	972,524
Income from ancillary activities		**63,580**	60,869
Sales	**13**	**751,791**	**1,033,393**
Change in inventories of finished products and work in-progress		**(661)**	(6,021)
Capitalised production		**67**	76
Operating subsidies		**23**	25
Reversal of provisions, excess depreciation & amortisation & expense transfers		**6,195**	11,893
Other income		**110**	1
Other income		**5,734**	**5,974**
Total income		**757,526**	**1,039,367**
Operating expenses			
Purchases of goods		**498,678**	692,118
Change in inventory		**3,506**	38,410
Raw materials and consumables used		**145,100**	151,132
Change in inventory		**(1,838)**	24,073
External purchases and expenses		**67,170**	66,158
Taxes other than on income		**5,099**	4,344
Wages and salaries		**26,770**	22,726
Payroll charges		**15,478**	11,250
Depreciation and amortisation expense		**5,104**	5,360
Provisions for losses on current assets		**3,925**	3,370
Provisions for contingencies and losses		**3,151**	503
Other expenses		**3,419**	3,729
Total expenses		**775,561**	**1,023,173**
Operating profit (loss)		**(18,036)**	**16,194**
Net finance income	**16**	**27,685**	**131,814**
Profit (loss) before tax and extraordinary items		**9,649**	**148,008**
Extraordinary items	**17**	**(45,444)**	**(16,320)**
Employee profit-sharing		**(580)**	(3,605)
Income tax	14	**6,433**	20,076
Profit (loss) for the period		**(29,942)**	**148,159**

3. Cash flow statement

(thousands of euros)	FY 2009	FY 2008
Cash flows from operating activities		
Profit (loss) for the period	**(29,942)**	148,159
Elimination of non-cash and non-operating income and expenses	**132,785**	32,421
Cash generated from operations	**102,844**	**180,580**
Change in operating working capital requirement	**65,368**	25,161
Net cash generated by operating activities	**168,212**	**205,741**
Cash flows from investing activities		
Payments for non-current financial assets	**(57,569)**	(436,694)
Payments for PP&E and intangible assets	**(3,954)**	(6,628)
Proceeds from non-current asset disposals	**93,113**	764
Debt repayments		
Increase in deferred expenses and change in receivables and payables on non-current assets	**128**	(2,259)
Subtotal	**31,718**	**(444,817)**
Other movements		
Net cash generated by (used in) investing activities	**31,718**	**(444,817)**
Cash flows from financing activities		
Dividends paid to ERAMET SA shareholders	**(135,741)**	(153,570)
Proceeds from share capital increases	**48,735**	123,345
Change in working capital requirement stemming from financing activities	**291**	(306)
Net cash used in financing activities	**(86,715)**	**(30,531)**
Other movements	**76**	(363)
Decrease (increase) in net borrowings	**113,291**	**(269,970)**
Net cash (borrowings) at January 1	**(495,453)**	**(225,483)**
Net cash (borrowings) at December 31	**(382,162)**	**(495,453)**

4. Highlights

SALES

The 24% decline in Nickel sales was due to a combination of:

- the effect of the (post-hedge) average sale price falling from US$10.2/lb in 2008 to US$6.9/lb in 2009; and
- an increase from 51,700 tons sold in 2008 to 54,500 tons in 2009.

OPERATING PROFIT (LOSS)

The operating profit fell sharply from €16 million in 2008 to an operating loss of (€18) million in 2009 as a result of:

- lower sales (marketing fees and year-end rebates in respect of Sandouville products);
- the increase in personnel costs (retirements).

NET FINANCE INCOME

Net finance income mainly consisted, firstly, of dividends received from subsidiaries (Nickel: €10 million, Manganese: €114.6 million, Alloys: €3.1 million), and, secondly, of a €115 million provision for Erasteel SAS shares.

The net foreign exchange loss in 2009 amounted to €8.7 million compared to a net loss of €23 million at year-end 2008, mainly due to remeasurement of loans denominated in foreign currencies.

EXTRAORDINARY ITEMS

The extraordinary items were comprised of a €16.3 million provision allowance for price increases and the write-off of the assets connected with a development project in Namibia, following the decision not to pursue this €22.5 million project.

DEVELOPMENTS WITH REGARD TO INVESTMENTS IN ASSOCIATES

On May 14, 2009, ERAMET completed the second phase of the acquisition of the Norwegian company Eralloys Holding A/S, raising its interest to 94.3%. This acquisition was funded through the issue of 387,488 ERAMET shares. On June 2, 2009, a "squeeze-out" was completed for the remaining 5.7% shares, raising the interest to 100% for a total cost of €413.3 million. This interest will be reclassified in 2010 under the Manganese Division. In response to the very sharp drop in demand, production stoppages were implemented across Erasteel companies (in France and Sweden). The particularly pronounced fall-off in high-speed steels (tool and cutting tools steels) led to a significant operating loss and impairment of assets. The Erasteel investment was impaired by €115 million.

DEVELOPMENTS WITH REGARD TO THE CASH POSITION

The €113 million decrease in net borrowings was primarily due to the disposal of 33.4% of the shares in Strand Minerals (Indonesia) to Mitsubishi for €93 million.

6.2.2. NOTES TO THE SEPARATE FINANCIAL STATEMENTS

5. Accounting principles, rules and methods

5.1. RECAP OF PRINCIPLES

Generally accepted accounting principles were applied, while complying with the principle of prudence based on the underlying assumptions, *i.e.* going concern, consistency of accounting methods from one period to another, application of the matching principle and in line with the rules for preparing and presenting separate financial statements.

The historical cost method is used to measure items.

5.2. CHANGE IN METHODS

CRC (Comité de la Règlementation Comptable – French Accounting Regulations Committee) Regulation No. 2002-10 brought about the following change in methods as from January 1, 2005:

- review of depreciation and amortisation periods of certain non-current assets resulting in a reduction in economic depreciation and amortisation, offset by an increase in excess depreciation and amortisation;
- cancellation via shareholders' equity of the provision for major repairs. Major repairs are now either expensed or recognised as items of property, plant and equipment in the case of replacement expenses.

We did not change methods compared to December 31, 2008.

5.3. RULES AND METHODS APPLIED TO THE VARIOUS BALANCE SHEET AND INCOME STATEMENT LINES

5.3.1. Property, plant and equipment and intangible assets

The gross amount of non-current 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 or provisions funded.

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, except in exceptional circumstances:

- buildings: 20 – 30 years;
- technical installations: 12 – 20 years;
- machinery, equipment and tooling: 3 – 10 years;
- general installations, fittings and fixtures: 5 – 10 years;
- transportation equipment: 5 – 8 years;
- office furniture and equipment and computer equipment: 3 – 8 years.

The impact of any difference between the period over which it is used and the useful life is recognised *via* excess depreciation.

5.3.2. Non-current financial assetss

As from January 1, 2006, the gross amount of non-current financial assets includes the purchase cost excluding incidental expenses. Borrowings are recognised at their nominal value. Securities are estimated at their value in use, which takes account of both their net asset value and likely returns. If the value in use is lower than their gross amount, an impairment loss is recognised for the difference.

5.3.3. Ongoing development projects

Development projects are generally initiated by ERAMET as a Holding company. The costs of such projects are capitalised under either Non-current financial assets or Other assets in the study phase. In the case of acquisition, these costs are included in the value of the securities. Such securities are generally reclassified under one of the three Divisions.

When projects are not capitalised, the costs are either expensed or provisions funded under extraordinary items.

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.

Any unrealised foreign currency gains or losses resulting from remeasurements at the closing rate (rate on the balance sheet date, if there is no hedging) are recognised under "Foreign currency gains or losses" in the income statement.

Impairment losses on trade receivables are assessed on a customer-by-customer basis 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 funded, 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.

Employee indemnities and benefits

ERAMET offers its employees various long-term benefits such as retirement packages or other additional post-employment benefits and long-service bonuses.

Some liabilities are wholly or partly covered by contracts taken out with insurance companies. In this case, the liabilities and covering assets are assessed independently. A provision is then recognised on the basis of the amount of financial assets and liabilities.

ERAMET's liabilities are appraised by independent actuaries. The actuarial assumptions used (likelihood of working employees staying with ERAMET, mortality tables, retirement age, salary trends, etc.) vary according to the prevailing demographic and economic conditions in the country. The discount rates used are based on the rate of government bonds or bonds in top notch 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 account of the structure of the investment portfolio for each country.

The actuarial assumptions used for appraisals are as follows.

	2009	2008	2007	2006
Discount rate	**5.00%**	5.40%	5.25%	4.40%
Inflation rate	**2.10%**	2.10%	2.00%	2.00%
Salary increase rate	**3.1%**	2.10%	3.00%	2.00%
Return on plan assets	**4.5%**	5.00%	5.00%	5.00%

Employee bonus share plan

A plan for granting bonus shares to all Group employees was approved at the Board Meeting on July 29, 2009 (Note 24). The amount of the corresponding provision was measured based on the number of shares to be granted having regard to staff turnover, the value of treasury shares (32,106 shares) and the share price on December 31, 2009 (41,724 shares). The amount granted in the 2009 period totalled €1.4 million. It was calculated pro rata temporis to the vesting period (2 or 4 years depending on the country). It is presented in the Personnel costs line.

5.3.8. Sales

Sales were composed of:

- ferronickel sales (trading in SLN products);
- nickel sales (Sandouville plant products);
- services and rebilling of shared costs.

Income is recognised as sales once the company has transferred the main risks and benefits inherent in ownership of the goods to the buyer.

Note 1. Non-current assets

1.1. ACQUISITION VALUES

(thousands of euros)	Acquisition values 12/31/2008	Acquisitions	Disposals, retirements and adjustments	Acquisition values 12/31/2009
Intangible assets				
Concessions, patents, licences, trademarks, processes, rights and similar assets	7,526	354	20	7,900
Non-current assets in progress	1,229	1,153	(37)	2,345
Subtotal	**8,755**	**1,507**	**(17)**	**10,245**
Property, plant & equipment				
Land	1,131	0	0	1,131
Buildings	22,465	104	(13)	22,556
Technical installations, machinery and equipment	53,069	1,650	1	54,720
Other	10,071	414	(102)	10,383
Non-current assets in progress	242	279	(92)	428
Subtotal	**86,978**	**2,447**	**(207)**	**89,219**
Non-current financial assets				
Investments in associates (1)	1,674,367	148,076	(186,569)	1,635,874
Receivables on investments in associates	281,878	275,829	(8,586)	549,121
Other capitalised investments (2)	63,446	3,382	(58,248)	8,580
Other (3)	30,540	13,140	(9,115)	34,565
Subtotal	**2,050,231**	**440,427**	**(262,518)**	**2,228,140**
Total	**2,145,964**	**444,382**	**(262,741)**	**2,327,604**

(1) In February 2009, disposal of 33.4% of the shares of Strand Minerals (Indonesia) for €93 million (US$118.7 million).
In July 2009, second phase of the integration of Tinfos: raising the interest in Eralloys to 100% through the swap and acquisition of shares for a total of €54.2 million. €0.7 million capital increase at Eras.

(2) The "Other capitalised investments" line concerns treasury shares. The reduction relates to the granting of bonus shares for €1 million, the swapping of Eralloys shares for €1 million and the cancellation of 252,885 shares for a total of €51.8 million by means of a capital reduction (decision of the Board of Directors on July 29, 2009). The stock market value on December 31, 2009 exceeded the portfolio value and accordingly the provision funded on December 31, 2008 was completely reversed.

(3) Deposit of €11.9 million in a blocked account as part of the "squeeze-out" for the acquisition of Eralloys A/S (Tinfos). The balance available on December 31, 2009 totalled €4.2 million.

1.2. DEPRECIATION, AMORTISATION AND PROVISIONS

(thousands of euros)	Depreciation, amortisation and provisions 12/31/2008	Depreciation and amortisation expense and allocation to provisions	Reversals of depreciation, amortisation and provisions	Disposals, retirements and adjustments	Depreciation, amortisation and provisions 12/31/2009	Net amounts 12/31/2009
Intangible assets						
Concessions, patents, licences, trademarks, processes, rights and similar assets	6,684	988		(17)	7,655	245
Non-current assets in progress	0	1,903			1,903	443
Subtotal	**6,684**	**2,891**	**0**	**(17)**	**9,558**	**687**
Property, plant & equipment						
Land	0	0	0	0	0	1,131
Buildings	13,319	1,120	0	(28)	14,412	8,145
Technical installations, machinery and equipment	40,404	2,146	(92)	(92)	42,367	12,353
Other	5,777	849	0	(87)	6,539	3,844
Non-current assets in progress	0				0	428
Subtotal	**59,500**	**4,116**	**(92)**	**(207)**	**63,317**	**25,901**
Non-current financial assets						
Investments in associates [1]	14,984	115,000	(2,300)	0	127,684	1,508,190
Receivables on investments in associates	0	0	0	0	0	549,121
Other capitalised investments	9,678	0	(9,678)	0	0	8,580
Other [2]	0	13,379	0	0	13,379	21,186
Subtotal	**24,662**	**128,379**	**(11,978)**	**0**	**141,063**	**2,087,078**
Total	**90,846**	**135,385**	**(12,070)**	**(224)**	**213,938**	**2,113,666**

(1) A €115 million provision was funded in respect of Erasteel SAS shares to bring the net carrying amount on December 31, 2009 to the value in use.
(2) Provisions were funded for €13.4 million in costs capitalised for the project to exploit a manganese deposit in Namibia, due to abandonment of the project.

Note 2. Schedule of receivables

(thousands of euros)	Gross amount 12/31/2009	Up to a year	Over a year	Reminder 12/31/2008
Receivables on investments in associates [1]	**549,121**	549,121	0	281,878
Employee loans	**0**	0	0	0
Pension plan assets [2]	**3,926**	3,926	0	4,759
Other investments	**30,638**	30,638	0	25,781
Trade receivables	**88,874**	87,998	876	66,862
Other receivables [3]	**26,188**	26,188	0	63,620
Prepaid expenses	**1,543**	1,543	0	1,164
Total	**700,292**	**699,415**	**876**	**444,064**

(1) Receivables on investments in associates: loans to Group companies.
(2) Excess contributions to a defined benefit supplementary pension plan.
(3) Other receivables include, amongst other things, a €9 million receivable (net of income tax) and €11.4 million in outlay on development projects, with provisions funded for €10.3 million.

RECEIVABLES ON INVESTMENTS IN ASSOCIATES: LOANS TO GROUP COMPANIES

(thousands of euros)	12/31/2009	12/31/2008
Strand Minerals (Indonesia) Ltd	**88,424**	69,750
ERAMET Norway	**27,000**	27,381
CFED	**21,569**	15,985
GCMC	**34,895**	36,421
ERAMET Holding Manganese	**203,337**	0
ERAMET Research	**3,199**	210
SIMA	**125,464**	132,113
Erasteel SAS	**45,131**	0
Miscellaneous	**101**	17
Total	**549,121**	**281,878**

Note 3. Cash & cash equivalents

Solely comprised of demand bank accounts.

Note 4. Prepaid expenses and accruals

(thousands of euros)	12/31/2009	12/31/2008
Prepaid expenses [(1)]	**1,543**	1,164
Deferred debt issue costs	**92**	312
Translation adjustments	**0**	0
Total	**1,635**	**1,476**

(1) Prepaid insurance premiums amounted to €1.3 million.

Note 5. Shareholders' equity

The share capital breaks down as follows:

	12/31/2009	12/31/2008
AREVA	**25.63%**	25.78%
SORAME/CEIR	**36.44%**	36.64%
STCPI	**4.06%**	4.08%
Miscellaneous	**33.87%**	33.50%
Total	**100%**	**100%**

The June 17, 1999 agreement, which expired on June 30, 2006, was tacitly extended for one-year periods. On May 29, 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 December 31, 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 January 1, 2010.

This shareholders' agreement (including a sub-agreement between SORAME and CEIR), which constitutes an agreement to act in concert, was the subject of prior notice 199CO577 of May 18, 1999 from the French Financial Markets Board. The May 29, 2008 amendment was the subject of AMF approval and notice No. 208C1042.

Since January 1, 2002, registered shares meeting the required conditions have qualified for double voting rights.

ERAMET's distributable reserves amounted to €1,079 million prior to the allocation of 2009 earnings (€1,070 million as of December 31, 2008).

(thousands of euros)	Number of shares	Share capital	Premiums, reserves and retained earnings	Profit (loss) for the period	Total
Shareholders' equity as on December 31, 2007	**25,905,621**	**79,012**	**902,477**	**206,516**	**1,188,005**
Dividends paid			(153,570)		(153,570)
Allocation to retained earnings and reserves			206,516	(206,516)	0
Withholding					0
Other transactions					0
Share capital increases for cash	68,119	208	3,841		4,049
Share capital increases via capitalisation of reserves					0
Contributions in cash					0
Dividends paid in shares					0
Share capital increases in kind	241,491	737	118,560		119,297
Profit (loss) for the 2008 financial year				148,159	148,159
Shareholders' equity as on December 31, 2008	**26,215,231**	**79,956**	**1,077,824**	**148,159**	**1,305,940**
Dividends paid			(135,751)		(135,751)
Allocation to retained earnings and reserves			148,159	(148,159)	(0)
Withholding					0
Other transactions	(252,885)	(771)	(51,070)		(51,841)
Share capital increases for cash	19,979	61	1,110		1,171
Share capital increases via capitalisation 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 on December 31, 2009	**26,369,813**	**80,428**	**1,086,653**	**(29,942)**	**1,137,140**

Note 6. Treasury shares

ERAMET SA held 81,732 treasury shares (389,475 shares as of December 31, 2008).

The table below summarises treasury share transactions:

		Market making	Grants to employees	Other goals	Total
Position as on December 31, 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 grants/buyout Eralloys minority interests		-	-	(24,965)	(24,965)
Position as on December 31, 2009		**49,626**	**32,106**	**-**	**81,732**
As a percentage of share capital	26,369,813	0.19%	0.12%	-	0.31%

The balance of 49,626 shares (53,689 shares as of December 31, 2008) related to shares bought under a liquidity contract entered into with Exane BNP Paribas and not yet registered as of the date of drafting of this table.

Note 7. Provisions for impairment of current assets

(thousands of euros)	12/31/2008	Allowances	Reversals	12/31/2009
Raw materials				
Other supplies [1]	3,370	513	0	**3,883**
Trade receivables	774	0	(4)	**769**
Miscellaneous receivables [2]	0	10,294	0	**10,294**
Total	**4,144**	**10,807**	**(4)**	**14,947**

(1) Provisions are fully funded for spare parts inventories where they exceed one year's supply.

(2) Provisions were funded for costs capitalised in respect of an ongoing project (mainly a project to exploit a manganese deposit in Namibia for €9.1 million) due to abandonment of the project.

Note 8. Provisions

(thousands of euros)	12/31/2008	Allowances	Reversals		Reclassification	12/31/2009
			Used in period	Unused in period		
Provisions for price increases	49,661	16,336	0	0	0	**65,997**
Extraordinary amortisation and depreciation (1)	5,845	2,504	0	0	0	**8,349**
Provisions for reconstituting mining reserves	0	0	0	0	0	**0**
Total regulated provisions	**55,506**	**18,840**	**0**	**0**	**0**	**74,346**
Foreign exchange losses						
Personnel (2)	5,261	313	(1,168)	0	465	**4,871**
Environment	76	0	0	0	0	**76**
Sector contingencies	0	0	0	0	0	**0**
Taxes	0	0	0	0	0	**0**
Other provisions for contingencies (3)	22,226	9,949	(22,232)	0	0	**9,943**
Other provisions for losses (4)	0	1,441	0	0	0	**1,441**
Total provisions for contingencies and losses	**27,564**	**11,703**	**(23,400)**	**0**	**465**	**16,331**
Provisions in liabilities	**83,069**	**30,542**	**(23,400)**	**0**	**465**	**90,677**

(1) In addition to the net allowance of €0.9 million for Sandouville assets, another extraordinary depreciation charge was recognised for €1.7 million, firstly in respect of acquisition costs capitalised for the Tinfos shares and secondly on the basis of the tax value of the property complex acquired upon exercise of a finance lease option.

(2) ERAMET funds provisions for pension and related liabilities on the basis of actuarial assessments carried out by an independent firm. Detailed calculations were carried out as of December 31, 2009. The excess payment of defined benefit supplementary pension plan contributions was reclassified under other investments.

(3) The provision for financial contingencies related to the potential loss on the Metal Securities bond portfolio secured by ERAMET.

(4) The provision for losses was funded as part of the bonus share plan established for all Group employees by decision of the Board on July 29, 2009 (see Section 5.3.7.).

Note 9. Employee liabilities

9.1. PENSION AND RELATED LIABILITIES ON DECEMBER 31, 2009

(thousands of euros)	Fair value of plan assets	Actuarial value of liabilities	Financial position surplus/(deficit)
Pension plan			
Retirement package	1,232	1,981	(749)
Awards and bonuses		1,374	(1,374)
Healthcare plans		2,520	(2,520)
Total	**1,232**	**5,875**	**(4,643)**

(thousands of euros)	Unrecognised actuarial gains (losses)	Unrecognised past service	Balance sheetprovision (asset)/liability
Pension plan			
Retirement package	654	254	(159)
Awards and bonuses			1,374
Healthcare plans	51		2,469
Total	**705**	**254**	**3,684**

9.2. ACTUARIAL ASSUMPTIONS

Discount rate	5%
Inflation rate	2.1%
Salary increase rate	3.1%
Return on plan financial assets	4.5%

9.3. BREAKDOWN OF PENSION FUND INVESTMENTS

(thousands of euros)	Equities	Bonds	Other investments	Total
Amounts	148	1,010	74	1,232
Percentage	12%	82%	6%	100%

9.4. CHANGE IN PENSION LIABILITIES

(thousands of euros)		FY 2009
At January 1		**3,884**
Expenses recognised:		**360**
- service cost	263	
- net interest expense	312	
- return on plan assets	(42)	
- depreciation and amortisation of actuarial gains and losses and past service cost	94	
- other	(267)	
Contributions paid		**(560)**
Translation adjustments and other movements		**-**
At December 31		**3,684**

Note 10. Breakdown of liabilities and due dates

Net amount *(thousands of euros)*	12/31/2009	Up to a year	From one to five years	From five years
Bank loans	**132**	132		
Miscellaneous borrowings [1]	**932,825**	932,825		
Trade payables [2]	**118,331**	118,362	(31)	
Tax and payroll liabilities	**11,216**	11,216		
Liabilities on non-current assets	**973**	973		
Group and associates	**0**	0		
Other miscellaneous liabilities	**11,762**	11,762		
Prepaid income	**20**	20		
Total	**1,075,260**	**1,075,291**	**(31)**	**0**

(1) ERAMET is partly financed by Metal Securities, its 87.92%-owned subsidiary. The amount as of December 31, 2009 was €932 million (compared to €776 million as of December 31, 2008) on the back of the acquisition of the Tinfos group and the extension of new loans.

(2) In accordance with the French Economic Modernisation Act (LME), the company does not present Trade payables past 60 days from the invoice date.

10.1. MISCELLANEOUS BORROWINGS AND DEBT:

Net amount *(thousands of euros)*	12/31/2009	12/31/2008
Current accounts with Metal Securities	**932,451**	776,292
Deposits received	**329**	329
Miscellaneous	**45**	45
Total	**932,825**	**776,666**

Note 11. Breakdown of liabilities and accrued expenses

Gross amount *(thousands of euros)*	12/31/2009	12/31/2008
Miscellaneous borrowings	**932,825**	776,666
Trade payables	**118,331**	90,703
Tax and payroll liabilities	**11,216**	13,177
Liabilities on non-current assets	**973**	1,065
Other miscellaneous liabilities	**11,762**	1,367
Prepaid income	**20**	20
Translation adjustment loss	**0**	0
Total	**1,075,127**	**882,998**

Note 12. Items relating to associates

Net amount *(thousands of euros)*	12/31/2009	12/31/2008
Balance sheet		
Investments in associates	**1,635,148**	1,673,370
Financial receivables	**549,121**	281,878
Trade receivables	**24,980**	16,921
Miscellaneous receivables	**2,789**	3,551
Miscellaneous borrowings	**(932,780)**	(776,621)
Trade payables	**81,736**	(37,982)
Other liabilities	**(9,835)**	(1,106)
Income statement		
Finance income	**136,559**	210,681
Finance expenses	**(9,445)**	(24,484)

Companies are considered associates where ERAMET holds an interest that gives it significant influence over them.

Note 13. Sales

(thousands of euros)	Total	France	International
Sales of goods and merchandise [1]	688,211	23,439	664,773
Income from ancillary activities	63,580	19,726	43,854
Sales	**751,791**	**43,165**	**708,626**

(1) Sales included a foreign currency loss of €13.6 million resulting primarily from USD hedging.

Note 14. Increases and reductions in future tax liabilities

(thousands of euros)	12/31/2009
Increases in taxable base	
- Regulatory provisions	**74,346**
- Translation adjustment gains at close	**0**
- Deferred expenses	**0**
Reductions in taxable base	
- Provisions not deductible in financial period	**(135,431)**
- Accrued expenses	**1,226**
- Translation adjustment losses at close	**0**
- Unrealised finance income	**0**
- Tax loss carry-forwards	**(53,743)**
Net increase in taxable base	**(113,602)**
Increase in future taxation	**(39,113)**
	34 %

BREAKDOWN OF INCOME TAX

(thousands of euros)	Gross amount	Tax owed	Profit (loss)
Current profit (loss)	9,649	0	9,649
Extraordinary items	(45,444)	0	(45,444)
Profit-sharing	(580)	0	(580)
Effects of tax consolidation	0	6,433	6,433
Total	**(36,375)**	**6,433**	**(29,942)**

Income tax

The tax consolidation agreement signed between ERAMET and its subsidiaries complies with the principle of neutrality and places the subsidiaries in the situation in which they would have been in the absence of such consolidation. Each subsidiary calculates its tax as if it did not form part of a consolidated tax group and pays its income tax contribution to ERAMET as Group parent company. The subsidiaries retain their losses to determine the amount of the income tax contribution they should pay ERAMET.

As a result of tax consolidation, the income tax line item broke down as follows: +€3.9 million in tax expenses for the consolidated tax group (of which, +€3 million in group research tax credits in 2009 and +€1.2 million in group tax credit adjustments for 2008), +€8.2 million in benefits from tax consolidation in 2008 and (€5.7) million in tax credits representing net income of €6.4 million in 2009.

ERAMET SA underwent a tax audit, the findings of which led to an income tax adjustment of €0.2 million.

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.

Companies within the scope of tax consolidation	12/31/2009	12/31/2008	12/31/2007
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 (Sima)	**x**	x	x
ERAMET Alliages	**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

The Group's usable tax loss carry-forwards as of December 31, 2009 amounted to €78.5 million.

Note 16. Net finance income

(thousands of euros)	12/31/2009	12/31/2008
Investments in associates (1)	**136,607**	210,492
Other dividends and interest	**1,081**	1,797
Reversal of provisions (2)	**34,211**	0
Foreign currency gains (3)	**21,354**	19,901
Finance income	**193,252**	**232,190**
Depreciation and amortisation expense and allocation to provisions (2)	**(124,849)**	(31,905)
Interest and similar expenses (4)	**(10,183)**	(25,340)
Foreign currency losses (3)	**(30,056)**	(43,131)
Net losses on disposal of marketable securities	**(479)**	0
Finance expenses	**(165,567)**	**(100,376)**
Net finance income	**27,685**	**131,814**

(1) Income on investments in associates is comprised of dividends received from the Nickel Division (€10 million), the Manganese Division (€114.6 million) and SIMA (3.1 million) and interest on Group current account loans (€8.9 million).

(2) Net reversal of the provision for financial contingencies related to the potential loss on the Metal Securities bond portfolio secured by ERAMET: +€12.4 million and reversal of the provision on treasury shares (+€9.7 million).
(115) million provision on Erasteel SAS shares and reversal of the provision on SIMA shares (+€2.3 million).

(3) Net foreign currency loss of (€8.7) million, of which (€6.7) million due to remeasurement of loans denominated in foreign currencies (mainly NOK and USD).

(4) Of which interest with Metal Securities of (€9.5) million.

Note 17. Extraordinary items

(thousands of euros)	12/31/2009	12/31/2008
Hedging gains	**0**	0
Gains on share capital transactions (1)	**93,113**	191
Reversal of provisions and expense transfer	**453**	20,403
Extraordinary gains	**93,566**	**20,594**
Hedging losses	**1**	(21,196)
Expenses on share capital transactions (1)	**(94,144)**	(23)
Extraordinary depreciation and amortisation expense and allocation to provisions (2)	**(44,868)**	(15,695)
Extraordinary losses	**(139,010)**	**(36,914)**
Extraordinary items	**(45,444)**	**(16,320)**

(1) In February 2009, purchase from Weda Bay Minerals Inc and resale to Mitsubishi of Strand Minerals (Indonesia) shares for €93 million.

(2) €19.3 million allowance for statutory provisions (including a €16.3 million provision for price increases) and allowance for provisions on non-current assets and various receivables from ongoing development projects (primarily the €22.5 million project to exploit a manganese deposit in Namibia).

Note 18. Workforce

	FY 2009	FY 2008
Management	**146**	138
Supervisory staff	**238**	241
Workforce at end of period	**384**	**379**
Average workforce	**383**	**369**

Note 19. Off-balance sheet commitments

(thousands of euros)	12/31/2009	12/31/2008
Commitments given		
Endorsements, pledges and guarantees	**76**	76
Collateral guarantees	**Nil**	Nil
Forward sales in USD	**161,593**	163,510
Commitments received		
Endorsements, pledges and guarantees	**Nil**	Nil
Collateral guarantees	**Nil**	Nil
Multi-currency syndicated loan	**600,000**	600,000
Forward purchases in USD	**0**	443
Reciprocal commitments		
Currency hedge via Metal Currencies	**57,462**	321,640

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 is exposed to foreign currency risks at two levels:

- All Nickel income is invoiced in foreign currencies (mainly the US dollar), while the costs are mainly denominated in euros (Sandouville expenses and purchase of nickel and matte from SLN). Hedges are thus set up on the basis of multiyear forecasts and budgets with a maximum horizon of 36 months.
  As part of technical assistance by ERAMET for its SLN subsidiary, all commercial hedges are set up by SLN and directly re-invoiced to SLN under a marketing agreement.
- For all other foreign currency transactions, especially long-term loans to Group companies, ERAMET may need to set up foreign currency hedges depending on the repayment schedule. As of December 31, 2009, there were no ongoing foreign currency hedges.

20.2. COMMODITY RISKS

ERAMET is exposed to commodity price volatility, impacting its sales. ERAMET hedges part of its nickel sales on the basis of budget forecasts at 1 or 2 years. These hedges are set up for SLN, the producer of ferronickel and matte. Under the technical assistance contract, the outcome of these hedges is invoiced to SLN on a monthly basis. As of December 31, 2009, 3,114 tons were hedged for a fair value of US$255,000 (2008: 5,808 tons for a fair value of US$43,978 thousand) plus 4,560 ton option maturing in 2011, exercisable, as the case may be, by the counterparty in November 2010, the fair value of which was zero at December 31, 2009. ERAMET mainly uses forwards, combined call and put options and purchase options.

20.3. CREDIT OR COUNTERPARTY RISK

ERAMET's counterparty risks mainly relate to its commercial transactions and, by extension, trade receivables. Accordingly, ERAMET may 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 putting in place of letters of credit and documentary credits to hedge certain specific inherent risks such as, for example, the geographic location of its customers. In addition, ERAMET's customer base is primarily comprised of leading international metallurgy groups for which insolvency risks are limited.

20.4. INTEREST RATE RISK

As of December 31, 2009, ERAMET had no interest rate hedges in place on its debt. Its surpluses invested with Metal Securities are remunerated at market rates.

20.5. LIQUIDITY RISK

Within the Group's scope, ERAMET is not highly exposed to liquidity risks given its financial situation. ERAMET's net debt as of December 31, 2009 was €382.1 million (*vs.* €495.4 million as of December 31, 2008). All debt is transferred to Metal Securities, the special purpose Group entity responsible for pooling and managing Group cash surpluses.

Furthermore, should it be necessary, the company has access to three additional sources of funding, namely:

20.5.1. Revolving credit facilities

In 2005, ERAMET entered into a five-year agreement for a €600 million multi-currency revolving credit facility with a select group of banks, with the option of extending it to seven years. In accordance with the agreement, the Group twice asked lenders to extend the term by a year, in 2006 and 2007. This facility now thus expires on May 24, 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 credit line is subject to a default covenant (net financial debt/Group shareholders' equity) which is fully met both as of December 31, 2009 and December 31, 2008. In case of breach of the covenant, all or part of this facility would have to be paid back.

20.5.2. Commercial paper

In 2005, ERAMET established a €400 million commercial paper programme.

Like at December 31, 2008 because of the cash surplus as of December 31, 2009, the revolving credit facility and commercial paper programme were unused.

20.5.3. Repurchase agreements

On December 18, 2009, ERAMET signed a commitment to enter into a repurchase agreement. The amount available under this arrangement is €210 million at revolving 3 month maturities; this line is confirmed. As of December 31, 2009 this line is unused. The expiry date of this programme is March 18, 2011, or the European Central Bank's discontinuation of its LTRO (full allotment/fixed-rate) policy should this occur earlier.

Note 21. Property finance leases

None.

Note 22. Consolidation of the separate financial statements

The Company is consolidated within the ERAMET group, of which it is the parent company.

Note 23. Remuneration of management and supervisory bodies

(thousands of euros)	FY 2009	FY 2008
Short-term benefits		
Fixed remuneration	**2,672**	2,508
Variable remuneration	**1,279**	1,036
Directors' fees	**383**	375
Other benefits		
Post-employment benefits	**824**	7,750
Total	**5,157**	**11,668**

The ten highest paid individuals received a total of €4.2 million in 2009.

Note 24. Share subscription and purchase options, bonus shares

24.1. SUBSCRIPTION OPTIONS

	Meeting date	Board Meeting date	Subscription price		Number of beneficiaries at outset	Number of beneficiaries at 01/01/2009	Allocated at outset	Exercised or lapsed prior to 01/01/2009	Exercised in 2009	Lapsed in 2009	Still to be exercised as from 01/01/2010	Number of beneficiaries at 01/01/2010	Expiry of plans
1	05/27/1998	12/12/2001	32.60	EUR	61	5	153,000	(145,250)	(3,750)	(4,000)	-	-	12/11/2009 (1)
2	05/23/2002	12/15/2004	64.63	EUR	81	41	130,000	(70,331)	(16,229)	-	43,440	32	12/15/2012 (2)
Total						**283,000**	**(215,581)**	**(19,979)**	**(4,000)**	**43,440**			

(1) Only exercisable as from December 12, 2003, Shares could not be sold prior to December 14, 2005.
(2) Only exercisable as from December 12, 2006, Shares could not be sold prior to December 14, 2008.

24.2. ACTIONS GRATUITES

(1)	Meeting date	Board Meeting date	Subscription price	Number of beneficiaries at outset	Number of beneficiaries at 01/01/2009	Allocated at outset	Exercised lapsed prior to 01/01/2009	Exercised in 2009	Lapsed in 2009	Still to be exercised as from 01/01/2010	Number of beneficiaries at 01/01/2010	Expiry of plans
1	05/11/2005	12/13/2005	Bonus	90	-	14,000	(14,000)	-	-	-	-	-
2	05/11/2005	04 25/2007	Bonus	1	1	10,000	-	(10,000)	-	-	-	-
3	05/11/2005	07/23/2007	Bonus	61	59	16,000	(170)	(15,830)	-	-	-	-
4	05/13/2009	07/29/2009	Bonus	14,766	14,766	73,830	-	-	-	73,830	14,766	07/29/2011
Total					**113,830**	**(14,170)**	**-**	**-**	**73,830**			

(1) Definitive vesting date: 1 = December 13, 2007, 2 = April 25, 2009, 3 = July 23, 2009 and 4 = July 29, 2011.
The shares cannot be sold prior to: 1 = December 13, 2009, 2 = April 25, 2011,3 = July 23, 2011 and 4 = July 29, 2013.

Note 25. Individual training rights

Individual training rights vested for a full year total 20 hours per full-time employee and pro rata for those working part-time or beginning during the year.

Considering the size of the workforce as of December 31, 2009, individual training rights amounted to 25,634 hours (23,996 hours as of December 31, 2008).

Note 26. Other disclosures

Carlo Tassara France (part of the Romain Zaleski group) is an ERAMET shareholder and owns 3,394,146 shares (or 12.87% of the capital as of December 31, 2009), having regard to an estimate based on the most recent threshold crossing declaration by this company (no. 207C0134 of January 17, 2007).

On December 17, 2009, Carlo Tassara France summoned Sima, Sorame and Ceir, as well as members of the Duval family, to appear before the Paris Commercial Court. The summons specifies that these proceedings are being brought in the presence of ERAMET. In its writ, Carlo Tassara France first alleges that the presentation of the Sima group to ERAMET shareholders in 1999 was distorted as a result of the concealment from ERAMET shareholders of SMC's debt, a 38.5% Sima subsidiary, consolidated under the equity method and not fully consolidated, and that Sima allegedly concealed from the Appraisers and shareholders of ERAMET that it had full control over SMC. Carlo Tassara France then disputes the manner in which ERAMET was brought to fund SMC via Sima between 1999 and 2002 (date of liquidation of SMC), through loans that were improperly granted as they were not approved beforehand by the Board of Directors of ERAMET. Carlo Tassara France requests that the Court rule that said loans proved to be detrimental to ERAMET and order Édouard, Georges, Patrick and Cyrille Duval to jointly and severally pay ERAMET the total sum of €76.4 million in damages.

Carlo Tassara France is seeking the cancellation of the resolutions of the ERAMET General Shareholders' Meeting on July 21, 1999 approving the contribution of Sima's shares to ERAMET, the cancellation of the ERAMET shares issued in consideration for said contribution and the reduction of

ERAMET's share capital by the amount of the cancelled shares, as well as the return by the holders of those shares of the dividends earned since 1999 and estimated by Carlo Tassara France at €201 million and the return by ERAMET to said contributors of the Sima shares and of the dividends received from Sima since 1999.

Though the summons is not directed against ERAMET or against its past or current corporate bodies, it is however likely that, were it to prevail, it would have serious implications for ERAMET as, in particular, it would lead to a significant reduction in its share capital, the exit of Sima (and hence of Aubert & Duval) from the scope of the Group's activities. ERAMET points out that the Sima share contribution was approved by the ERAMET Extraordinary General Shareholders' Meeting on July 21, 1999, based on the report of two Appraisers appointed by the President of the Paris Commercial Court, the report of the Board of Directors of ERAMET, the appendix to which was signed by the COB (French Securities and Exchange Commission) on July 6, 1999 (document no. E 99-944) and the opinion as regards fairness attached to that document.

Note 27. Events after the balance sheet date

In early January 2010, ERAMET acquired the French company Valdi specialised in the treatment and recycling of non-ferrous metals. Valdi, with two production sites in France, employed close to 90 people and generated sales of €25 million in 2008.

On Tuesday, February 16, 2010, ERAMET and Bolloré signed an agreement for exploration of lithium deposits in Argentina. This agreement, which includes an option for the purchase of deposits after 24 months of exploration and study of a lithium carbonate unit, is a first step in the development strategy of the Bolloré – ERAMET Lithium venture.

To the best of the company's knowledge, there are no other significant events after the balance sheet date to report.

6.2.3. TABLE OF SUBSIDIARIES AND INVESTMENTS IN ASSOCIATES

As of December 31, 2009

(thousands of euros or foreign currency except millions of XAF)		Share capital	Shareholders' equity other than share capital	Ownership interest	Gross carrying amount of securities owned	Net carrying amount of securities owned	Loans and advances granted and outstanding	Deposits and guarantees given	Dividends received in period	Sales in most recent elapsed period	Profit (loss) for more recent elapsed period
		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	4,693	100.00	838	838				8,608	658
ERAMET Research	EUR	1,410	3,597	100.00	1,161	1,161	3,199			13,280	1,274
ERAMET International	EUR	160	1,704	100.00	892	892				21,171	176
ERAMET Holding Nickel	EUR	227,104	14,102	100.00	229,652	229,652			9,936	0	10,223
Weda Bay Mineral Inc	USD	81,376	(18,216)	100.00	95,945	95,945	20			0	(1,411)
ERAMET Holding Manganèse	EUR	310,156	94,646	100.00	310,156	310,156	203,337		100,002	0	179,855
Eralloys Holding	NOK	12,800	685,796	100.00	413,321	413,321				0	3,250
Sima	EUR	148,000	15,462	100.00	329,584	316,900	125,464		3,145	4,557	12,591
Erasteel	EUR	15,245	63,935	100.00	143,169	28,169	45,131			9,601	(28,918)
					1,526,704	**1,399,020**					
- Investments in associates (between 10% and 50% owned)											
Comilog	XAF	40,812	355,605	26.76	61,546	61,546			14,151	178,433	4,684
Tinfos	NOK	3,088	153,680	33.35	46,751	46,751			455	66,437	(6,644)
					108,297	**108,297**					
II - General information on other stocks (gross amount at most equal to 1% of the Company's share capital)											
- French subsidiaries	EUR				147	147					
- Foreign subsidiaries	EUR										
- Holdings	EUR				1,025	1,025			48		
Total					**1,636,173**	**1,508,489**	**377,151**	**0**	**127,736**		

	Registration no.	Address of registered office
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	N/A	6B, route de Trèves – L-2633 Senningerberg R. C. – Luxembourg B35.721
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
Sima	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 (between 10% and 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 DECEMBER 31, 2009

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 2009, on:

- the audit of the accompanying financial statements of ERAMET;
- the justification of our assessments;
- the specific verification 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 2009 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 matter:

As stated in note 5.3.2 to the financial statements concerning accounting principles, rules and methods relating to financial fixed assets, the valuation of the investments in the subsidiaries is performed 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 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 purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Neuilly-sur-Seine, March 1, 2010
The Statutory Auditors

Deloitte & Associés
Alain Penanguer

Ernst & Young et Autres
Aymeric de la Morandière

6.2.5. SPECIAL REPORT OF THE STATUTORY AUDITORS ON RELATED-PARTY AGREEMENTS AND COMMITMENTS – YEAR ENDED DECEMBER 31, 2009

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report on certain related party agreements and commitments.

Authorized agreements and commitments concluded in the year ended 31 December 2009 and until 17 February 2010

In accordance with article L. 225-40 of the French commercial code (*Code de Commerce*), we have been advised of certain related party agreements and commitments which were authorised by your Board of Directors.

We are not required to ascertain the possible existence of any other agreements and commitments but 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. We are not required to comment as to whether they are beneficial or appropriate. 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.

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.

WITH MR PATRICK BUFFET, MR BERTRAND MADELIN, MR GEORGES DUVAL 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 Bertrand Madelin, Mr Georges Duval and Mr Philippe Vecten in the 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.

Agreements and commitments authorized in prior years and which remained current during the year

Furthermore, in accordance with the French commercial code (*Code de commerce*), we have been advised that the following agreements and commitments which were approved in prior years remained current during the year.

WITH SOCIÉTÉ LE NICKEL-SLN

a. Nature and purpose

Within the scope of a technical support contract signed in 1999, ERAMET provides Société Le Nickel-SLN with general strategic, industrial, financial, tax and human resources management support. This agreement remained in force and unchanged in 2009.

Conditions

The amount invoiced under this contract amounted to €11,460,000 in 2009, compared to €11,106,000 in 2008.

b. Nature and purpose

The ERAMET/Société Le Nickel-SLN marketing agreement entered into in 1985 under which ERAMET markets Société Le Nickel-SLN products (other than ore) remained in force and unchanged in 2009.

Conditions

Under this agreement, ERAMET bought nickel matte and ferronickel from Société Le Nickel-SLN at a purchase price allowing ERAMET to generate a mark-up of 1.5%, plus a bonus when the price of nickel exceeds a certain level.

The total amount of purchases invoiced by Société Le Nickel-SLN to ERAMET amounted to €537,421,969 in 2009, compared to €695,736,842 in 2008.

Also under this agreement, ERAMET invoiced Société Le Nickel-SLN a fixed fee of €28,512,000 in 2009, compared to €27,660,000 in 2008, intended to cover the fixed costs of nickel matte conversion incurred by ERAMET prior to marketing the finished products.

Neuilly-sur-Seine, March 1, 2010
The Statutory Auditors

Deloitte & Associés
Alain Penanguer

Ernst & Young et Autres
Aymeric de la Morandière

6.2.6. TABLE OF THE COMPANY'S FINANCIAL RESULTS OVER THE PAS FIVE YEARS

			2005	2006	2007	2008	2009
Share capital at year-end	a)	Share capital	€78,659,116	€78,936,727	€79,012,144	€79,956,455	**€80,427,930**
	b)	Number of shares issued	25,789,874	25,880,894	25,905,621	26,215,231	**26,369,813**
Transactions and profit (loss) for the year (thousands of euros)	a)	Sales ex. tax	845,373	1,082,671	1,369,986	1,033,393	**751,791**
	b)	Profit (loss) before tax, employee profit-sharing, depreciation, amortisation and provisions	193,615	123,189	221,083	152,814	**106,182**
	c)	Income tax	(4,128)	3,534	22,027	(20,076)	**(6,433)**
	d)	Employee profit-sharing	0	0	0	0	**0**
	e)	Profit (loss) after tax, employee profit-sharing, depreciation, amortisation and provisions	246,770	144,198	206,516	148,159	**(29,942)**
	f)	Proposed dividend	54,159	75,055	155,434	137,630	**47,466**
Earnings per share (euros)	a)	Profit (loss) after tax, employee profit-sharing, but before depreciation, amortisation and provisions	7.67	4.62	7.68	6.59	**4.27**
	b)	Profit (loss) after tax, employee profit-sharing, depreciation, amortisation and provisions	9.57	5.57	7.97	5.65	**(1.14)**
	c)	Proposed dividend per share	2.10	2.90	6.00	5.25	**1.80**
Employees	a)	Average number of employees	326	336	347	369	**383**
	b)	Total payroll (thousands of euros)	19,414	20,933	27,914	26,331	**27,350**
	c)	Amounts paid out in employee benefits (thousands of euros)	8,271	8,983	10,165	11,250	**15,478**

6.3. Consolidated financial statements for 2008 and 2007

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 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 April 10, 2009;

b) the 2007 consolidated financial statements, the related audit report and the overview of the items included respectively in Sections 20.1.1., 20.1.2. and 6 of the 2007 Reference Document filed with the AMF on April 9, 2008.

The sections of the 2008 and 2007 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.fr) 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 2009 earnings allocation

After deducting the €29,941,560.06 in losses for the period from retained earnings as of December 31, 2008, i.e. €483,564,141.83, the following allocation will be proposed to the next Ordinary General Shareholders' Meeting:

- 47,465,663.40 in dividends;
- the balance to be carried forward.

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 2010: as from June 23, 2010).

Shareholders are sometimes given the option of mixed payments in cash and stock. Accordingly, with respect to the 1999 financial year, the Company proposed a cash payment of €0.60, with the option of receiving the balance, namely €0.54, as a new share grant; with respect to the 2001 financial year, it again proposed a cash payment of €0.60, with the option of receiving the balance, namely €0.54, as a new share grant; finally, with respect to 2002, it proposed a cash payment of €0.50, with the option of receiving the balance, namely €0.50, as a new share grant.

In 2010, shareholders are offered cash or stock dividends.

AMOUNT OF DIVIDEND

In recent years, the Company has endeavoured to pay a regular and substantial dividend. The proposed dividend is €1.80 per share.

6.4.3.2. Dividends paid out over the past few years

	2009	2008	2007	2006	2005
Number of shares remunerated	**26,369,813**	26,215,231	25,905,621	25,880,894	25,789,874
Profit (loss) for the period, Group share	**(€265 M)**	€694 M	€582 M	€319 M	€377 M
Dividends per share	**€1.80**	€5.25	€6.00	€2.90	€2.10
Total distribution	**€47 M**	€137.6 M	€155 M	€75 M	€54.2 M

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:

(Thousand of euros)	2009	2008	2007
Ernst & Young	**1,279**	1,325	1,464
Deloitte & Associates	**1,270**	1,550	862
Other	**393**	941	710
Total	**2,942**	**3,816**	**3,036**

6.5.2. FEES PAID TO THE VARIOUS AUDITORS

Full details of all fees paid to the various audit firms for 2008 and 2009 are broken down by type of service in Note 33 to the Consolidated Financial Statements.

7

INFORMATION ON THE COMPANY AND ITS CAPITAL

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, or about €47.26) on September 29, 1994 – following the decision of the Combined Ordinary and Extraordinary General Shareholders' Meeting of June 15, 1994 to carry out a five-to-one split.

With effect from June 26, 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. At end 2007, ERAMET was included in the DJ STOXX 600 index. On January 2, 2008, ERAMET became part of the Euronext Paris N 100 index. The stock was also included in the CAC Next-20 index on June 23, 2008, and in the MSCI Standard Index on May 6, 2008. No shares in any other Group company are admitted to trading on any other stock exchange.

7.1.2. SHARE PRICE PERFORMANCE

7.1.2.1. The ERAMET share price rose 60% in 2009

In 2009, ERAMET saw a 60% rise in its share price, ending the year at €220.75. This performance surpassed the CAC 40, which rose +22%.

Following the very sustained 50% rise in 2006 and the record 188% in 2007 (compared to +1.31% for the CAC 40), the ERAMET stock lost 61% in 2008, falling back to its March 2007 level.

Over the past four years, the ERAMET stock has risen by a factor of 2.7.

After a downward trend at the start of the year, when the share price hit an annual low of €108, the price surged back up to a high of €272.3 on October 20, before sliding gradually back to close the year at €220.75.

ERAMET's stock market capitalisation was €5.8 billion at December 31, 2009, ranking ERAMET at around the 40th largest French company.

Furthermore, the average trading volume in ERAMET shares (47,589 shares daily) was down 11% on 2008 (when its daily trading volume was 52,945 shares), while remaining appreciably higher than in previous years.

7.1.2.2. Capital increase for the acquisition of Tinfos

In 2009, ERAMET bought out all remaining minority interests in the former Tinfos, which had been merged into the new Eralloys company in 2008: manganese alloys, titanium dioxide and international trading. For the purposes of this transaction, 387,488 ERAMET shares were issued.

ERAMET's interest in the former Tinfos (the Nottoden electricity plant and the development of small-scale plants) was reduced to 34%.

In 2008, ERAMET had acquired 58.93% of the capital and 55.78% of the economic interest in the Norwegian company Tinfos. This transaction was 70% funded in cash and 30% in stock. In addition to cash, selling Tinfos shareholders received 241,491 new ERAMET shares.

Given, on one hand, the cancellation of 252,885 ERAMET shares in 2009 and, on the other hand, the new share subscription options exercised by employees, the total number of shares issued at December 31, 2009 was 26,369,813 compared to 26,215,231 at December 31, 2008.

7.1.2.3. Renewal of the shareholders' agreement

SORAME and CEIR (Duval Family) signed an ERAMET shareholders' agreement with AREVA on June 17, 1999. This agreement was signed for a period of seven years, renewable for one year periods. It was renewed with certain adjustments on May 29, 2008. The frequency of renewal has notably been shortened to six months. It was thus renewed twice, in mid-2009 and at the end of 2009. Further details on the agreement can be found in sub-section 7.4 of this document.

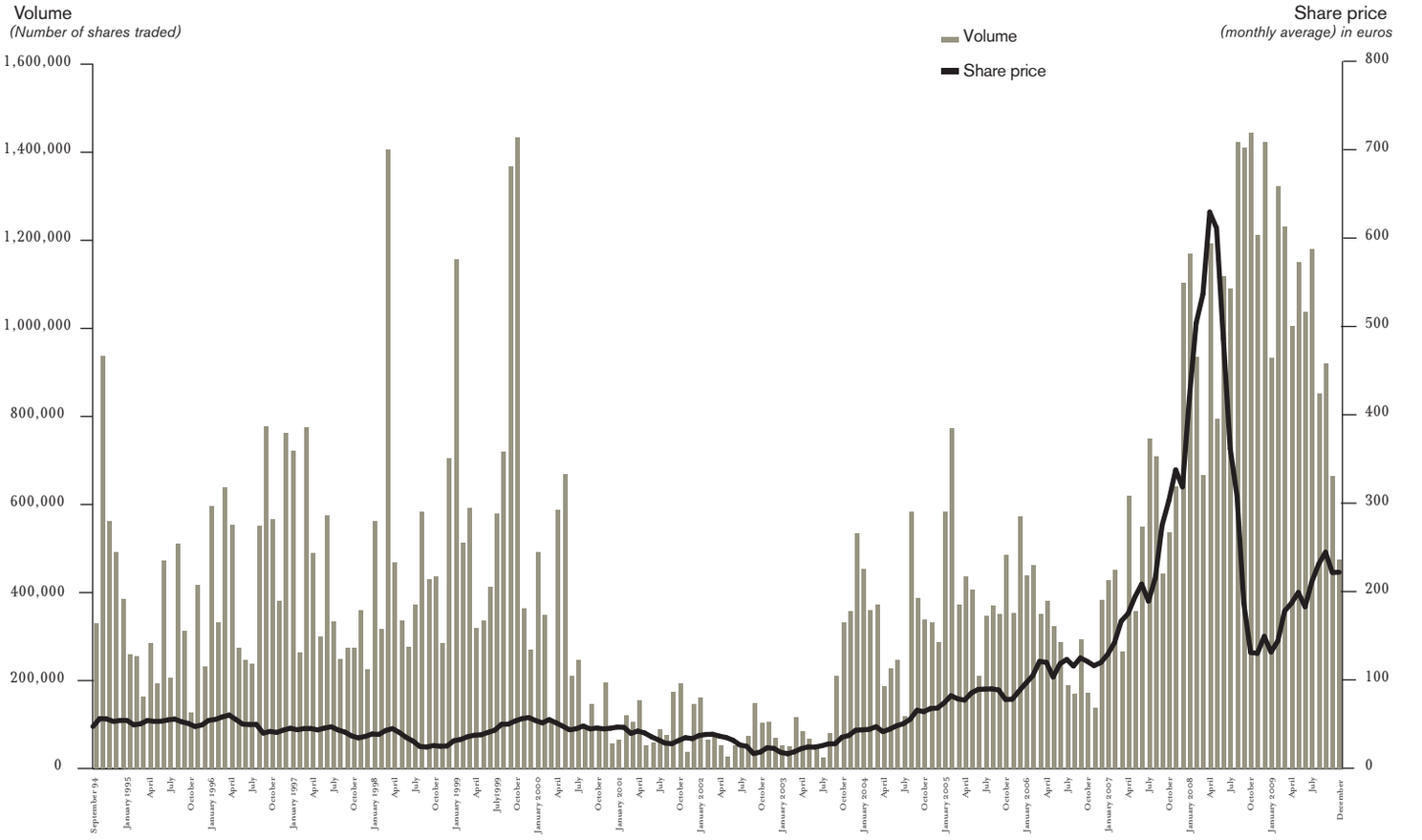
In a press release dated June 30, 2009, AREVA announced it was considering "disposing of its stakes in ERAMET and STMicroelectronics. In any case, these stakes will remain in the public sector because of their strategic nature."

7.1.2.4. Full financial disclosure

The Financial Communications Department is responsible for implementing the Group's disclosure policy *vis-à-vis* the financial community, investors and shareholders.

In addition to two meetings intended for analysts and journalists upon publication of the annual and interim results, several other briefings were arranged in Paris, London and Stockholm. All presentations, press releases (option to subscribe) and financial reports (Reference Documents and annual reports) produced by the Group and other disclosures required under the Transparency Directive can be found in the "Investors" section of the ERAMET Website (www.eramet.fr) designed to present the Group and its businesses.

CHANGES IN TRADING VOLUMES AND ERAMET SHARE PRICE PERFORMANCE



STOCK MARKET DATA

	Price (in euros)		Closing price on 12/31	Stock-market capitalisation on 12/31	Number of shares traded
	High & low for the period				
	High	Low		*(millions of euros)*	(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

** Recalculated in euros.*

	Price (in euros)			Number of shares traded
	Low	High	Average *(closing)*	(monthly average)
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
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
2006				
December	111.30	124.70	116.13	138,274
November	114.00	130.20	121.00	171,773
October	115.00	132.00	124.90	293,343
September	106.80	125.20	115.71	170,284

	Price (in euros)			Number of shares traded
	Low	High	Average *(closing)*	(monthly average)
August	118.10	129.00	123.16	188,297
July	110.00	126.00	118.22	287,598
June	87.00	117.20	103.21	323,317
May	100.40	137.30	119.93	379,998
April	107.10	147.40	120.90	350,107
March	97.15	114.70	104.69	461,964
February	88.20	103.70	96.24	438,666
January	79.00	91.40	87.53	571,899

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.: +33 (0)826 109 119.

EXANE BNP PARIBAS has been given responsibility for implementing the liquidity agreement.

7.2. Share capital

7.2.1. SUBSCRIBED SHARE CAPITAL

7.2.1.1. Amount and shares

At January 1, 2010, the share capital stood at €80,427,929.65, represented by 26,369,813 shares with a par value of €3.05 each, all of the same class and fully paid up.

7.2.1.2. Actual changes in the share capital since the beginning of 2009

Due to options exercised since the beginning of the year, the changes in share capital to date are as follows:

	Number of shares	Amount of capital *(in euros)*
At January 1, 2009	26,215,231	79,956,454.55
Option exercises	19,979	60,935.95
Capital increase for non-cash contributions (Tinfos)	387,488	1,181,838.40
Shares cancelled	(252,885)	(771,299.25)
At December 31, 2009	26,369,813	80,427,929.65

7.2.1.3. Rights attaching to the shares

Every share provides entitlement, with regard to ownership of the company's assets and a share of its earnings, to an amount proportional to the percentage of the share capital it represents, taking into account, as appropriate, redeemed and unredeemed (balance of share capital remaining where part has been redeemed), paid up and not paid up 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 liable shall be applied to all shares.

7.2.1.4. Subscribed unpaid share 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 which may provide entitlement to the share capital in the future or by way of options. Authorisations do, however, 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

Year	Transaction	Number of shares created	Amount in euros	Issue or contribution premium	Amount of capital following the transaction	Number of shares following the transaction
2005	Option exercises	44,930	137,037	-	78,659,116	25,789,874
2006	Option exercises	91,020	277,611	-	78,936,727	25,880,894
2007	Option exercises	12,012	36,636	-	78,973,363	25,892,906
	+ Bonus shares	12,715	38,781	-	79,012,144	25,905,621
2008	Consideration for Tinfos contributions	241,491	736,547	118,560,006	79,748,691	26,147,112
	+ Option exercises	68,119	207,762	3,840,836	79,956,454	26,215,231
2009	Consideration for Tinfos contributions	387,488	1,181,838	48,416,625	81,138,292	26,602,719
	+ Capital reduction	(252,885)	771,299	-	80,366,993	26,349,834
	+ Option exercises	19,979	60,936	1,110,194	80,427,929	26,369,813

7.2.4. CHANGES IN SHARE OWNERSHIP OVER THE PAST THREE YEARS

The capital structure has not changed materially over the past three years, not even as a result of the substitution in 2001 of AREVA for Cogema, which had itself taken on ERAP's rights in 1999.

The Company has not been notified of any material change in shareholdings since the end of the year.

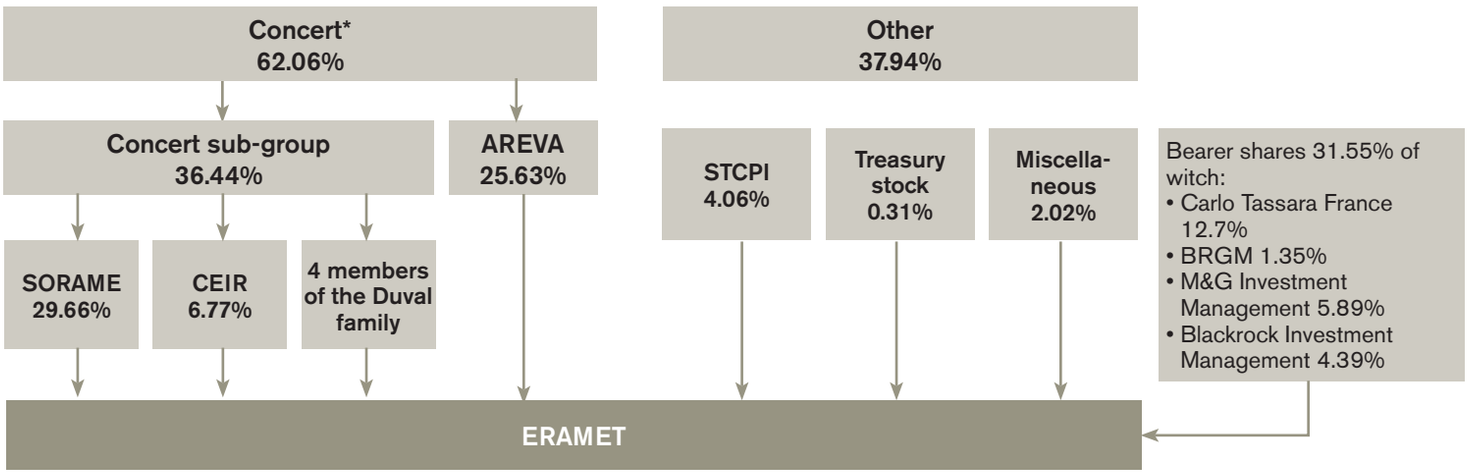
Potential changes could stem from the exercise of options granted under stock option plans or the vesting of shares granted under bonus share plans or the automatic vesting of double voting rights for shares that have been registered for more than two years.

7.2.5. SHAREHOLDING STRUCTURE

The known structure of the company's capital over the past three financial years is taken from a study carried out on December 31 of each year by the bank responsible for maintaining the share register, notified declarations of threshold crossing as well as the exercise of still-valid options and bonus shares.

7.2.5.1. Ownership structure

Company shareholders as at December 31, 2009 *(in % shares)*



** Pursuant to a shareholders' agreement subject to CMF (Conseil des Marchés Financiers – French Financial Markets Board) notice 199CO577 of May 18, 1999.*

7.2.5.2. As at December 31, 2009 (including shareholders holding – or likely to hold – at least 1% of the capital or voting rights and known to the Company)

Main 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	NA	3,444	NA
Total SORAME/CEIR concert sub-group (1)	**9,608,230**	**36.44%**	**19,212,366**	**43.50%**
AREVA (1)	**6,757,277**	**25.63%**	**13,514,554**	**30.60%**
Concert party total (concert sub-group/AREVA) (1)	**16,365,507**	**62.06%**	**32,726,920**	**74.11%**
SCTPI				
(Société Territoriale Calédonienne de Participations Industrielles)	1,070,586	4.06%	2,141,172	4.85%
Personnel (ERAMET Share Fund)	22,610	0.09%	42,220	0.10%
ERAMET treasury stock	81,732	0.31%	0	0.00%
Corporate officers (excl. concert party)	14,142	NA	15,033	NA
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%
Other	1,821,604	6.90%	2,242,323	5.08%
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 an action in concert in respect of which an opinion was issued by the CMF on May 18, 1999 under reference number 199C0577.

(2) Since the most recent threshold crossing declaration by Carlo Tassara France, no. 207C0134 of January 17, 2007.

(3) Estimate based on the most recent survey of identifiable bearer shares.

(4) Estimate based on the most recent survey of identifiable bearer shares. M&G Investment Management Ltd, a subsidiary of Prudential plc, which indicated in March 2009 that as from March 24, 2009, Prudential plc controlled 792,995 shares.

7.2.5.3. As at December 31, 2008 (including shareholders holding – or likely to hold – at least 1% of the capital or voting rights and known to the Company)

Main 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	NA	1,696	NA
Total 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%**
Concert party total (concert sub-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%
Personnel (ERAMET Share Fund)	19,610	0.07%	39,220	0.09%
ERAMET treasury stock	389,475	1.49%	0	0.00%
Corporate officers (excl. concert party)	2,983	NA	3,066	NA
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%
Other	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 an action in concert in respect of which an opinion was issued by the CMF on May 18, 1999 under reference number 199C0577.

(2) Estimate based on the most recent threshold crossing declaration by this company, no. 207C0134 of January 17, 2007.

(3) Estimate based on the most recent survey of identifiable bearer shares.

(4) Estimate based on the most recent threshold crossing declaration by this company, no. 208C1083 of June 3, 2008. On March 25, 2009, M&G Investment Management Ltd, a subsidiary of Prudential plc, indicated that as from March 24, 2009, Prudential plc controlled 792,995 shares, equivalent to 3.02% of the capital and 1.81% of the voting rights at December 31, 2008.

7.2.5.4. As at December 31, 2007 (including shareholders holding – or likely to hold – at least 1% of the capital or voting rights and known to the company)

Main 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	30.18%	15,637,838	36.00%
CEIR (1)				
(Compagnie d'Études Industrielles de Rouvray)	1,783,996	6.89%	3,567,992	8.21%
Other individuals in the concert party Cyrille, Georges, Édouard and Patrick Duval	423	0.002%	844	0.002%
Total SORAME/CEIR concert sub-group	**9,603,338**	**37.07%**	**19,206,674**	**44.21%**
AREVA (1)	6,757,277	26.08%	13,514,554	31.11%
Concert party total (concert sub-group/AREVA)	**16,360,615**	**63.15%**	**32,721,228**	**75.32%**
STCPI				
(Société Territoriale Calédonienne de Participations Industrielles)	1,070,586	4.13%	2,141,172	4.93%
Personnel (ERAMET Share Fund)	40,470	0.16%	80,940	0.19%
ERAMET treasury stock (2)	340,786	1.32%	0	0.00%
Corporate officers (excl. concert party)	612	0.002%	1,303	0.003%
Misc. registered shareholders	424,108	1.64%	829,981	1.91%
Total Registered Shares	**18,237,177**	**70.40%**	**35,774,624**	**82.35%**
Carlo Tassara France (company belonging to the Romain Zaleski group)	3,394,146	13.10%	3 394 146	7.81%
M&G Investment Management Ltd. (3)	1,413,773	5.46%	1 413 773	3.25%
BlackRock Investment Management (UK) Ltd. (3)	901,832	3.48%	901 832	2.08%
BRGM	356,044	1.37%	356 044	0.82%
Other bearer shares	1,602,649	6.19%	1 602 649	3.69%
Total bearer shares (3)	**7,668,444**	**29.60%**	**7 668 444**	**17.65%**
Total Shares	**25,905,621**	**100.00%**	**43 443 068**	**100.00%**

(1) SORAME, CEIR and AREVA are signatories to a shareholders' agreement constituting an action in concert in respect of which an opinion was issued by the CMF on May 18, 1999 under reference number 199C0577.

(2) Taking into account the 5,000 shares purchased under the liquidity contract signed with Exane BNP Paribas.

(3) Based on the most recent declarations of threshold crossings, reconciled with the most recent survey of identifiable bearer shares.

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 can be found in the chapter on corporate governance.

7.2.5.5. Foreseeable changes in voting rights

At December 31, 2009, a total of around 176,000 registered shares, registered for under two years, did not enjoy double voting rights. Were those shares to enjoy double voting rights, the double voting rights would be increased to a total of around 35,758,974 on top of the single voting rights of bearer shares, representing 8,320,315 additional votes as at December 31, 2009.

7.2.6. STOCK OPTION AND BONUS SHARE PLANS

Details of the stock option and bonus share plans valid at December 31, 2009 can be found in Note 25 to the ERAMET separate financial statements in Chapter 6 of this document. The bonus shares awarded (under the April 25, 2007, July 23, 2007 and July 29 ,2009 plans) are existing shares.

In the event of the exercise of all valid subscription options not yet exercised under the December 15, 2004 plan, at a rate of one share per option, 43,440 shares would be created and, based on the figures at December 31, 2009, this would raise the number of shares to 26,413,253, the share capital to €80,560,421 and the number of voting rights to 44,204,740.

7.2.7. SUMMARY TABLE OF FINANCIAL AUTHORISATIONS

SUMMARY TABLE OF EXISTING FINANCIAL AUTHORISATIONS

Authorised share capital increases	
A – By issuing shares, various marketable securities and/or subscription warrants, with retention of preferential shareholder rights. Article L. 225-129 of the French Commercial Code	
By the Extraordinary General Shareholders' Meeting for €24,000,000	May 13, 2009 (Resolution Eleven)
Term of the authorisation	26 months to July 12, 2011
Use of the authorisation	None
B – By issuing shares, various marketable securities and/or subscription warrants, with waiver of preferential shareholder rights	
By the Extraordinary General Shareholders' Meeting for €24,000,000	May 13, 2009 (Resolution Thirteen)
Term of the authorisation	26 months to July 12, 2011
Use of the authorisation	None
C – By capitalising reserves, earnings, premiums or other capitalisable items.	
By the Extraordinary General Shareholders' Meeting for €24,000,000	May 13, 2009 (Resolution Twelve)
Term of the authorisation	26 months to July 12, 2011
Use of the authorisation	None
D – By issuing shares or various marketable securities, as consideration for contributions to the company, with waiver of preferential shareholder subscription rights. Paragraph 6 of Article L. 225-147 of the French Commercial Code	
By the Extraordinary General Shareholders' Meeting for 10% of the capital, i.e. €7,995,645	May 13, 2009 (Resolution Fourteen)
Term of the authorisation	25 months from June 15, 2009, *i.e.* to July 14, 2011
Use of the authorisation	None
Limits on total issues (total of A+B+C+D)	
By the Extraordinary General Shareholders' Meeting	May 13, 2009 (Resolution Fifteen)
Maximum amount	€24,000,000
Use of authorisations	None
Share capital increase reserved for employees	
E – By the Extraordinary General Shareholders' Meeting	**May 13, 2009 (Resolution Seventeen)**
Term of the authorisation	26 months to July 12, 2011
Maximum amount	€500,000
Use of the authorisation	None
Capital reduction	
F – By the Extraordinary General Shareholders' Meeting	**May 13, 2009 (Resolution Ten)**
Term of the authorisation	26 months to July 12, 2011
Maximum amount	10% of the capital
Use of the authorisation	None

Bonus share awards	
(Articles L. 225-197-1 and L. 225-197-2 of the French Commercial Code)	May 13, 2009
Maximum total number of shares	85,000 shares
Term of the authorisation	12 months
Use in 2009	73,725
Available balance	11,275

Draft resolutions will be put to General Shareholders' Meeting called for May 20, 2010, for the purposes of authorising the Board to grant bonus shares (see wording of draft resolutions in Chapter 8 of this document).

7.2.8. DESCRIPTION OF THE SHARE BUYBACK PROGRAMME

7.2.8.1. Report on the 2009 buyback programme

The Combined Ordinary and Extraordinary General Shareholders' Meeting of May 13, 2009 authorised the company to buy back its shares for up to 10% of the share capital and at a maximum purchase price of €500 per share, representing a maximum amount payable by the company of €1,310,869,000. This authorisation expires at the Ordinary General Shareholders' Meeting approving the financial statements for the 2009 financial year and was granted with a view to:

- supporting the share price via a liquidity contract with an investment services provider, in accordance with the AMAFI code of conduct recognised by the AMF;
- retaining or exchanging them, particularly as part of an acquisition or when issuing securities granting equity rights;
- awarding shares to employees of the company and/or companies that are, directly or indirectly, 50% owned by ERAMET, on the terms and in the manner established by law, with particular regard to provisions governing stock options and bonus share grants to employees;
- cancelling those shares, in accordance with Resolution Ten of the Combined Ordinary and Extraordinary General Shareholders' Meeting of May 13, 2009 authorising a reduction in the company's capital for a period of 26 months.

7.2.8.2. Details of trading in treasury shares 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 January 1 and December 31, 2009.

	Shares in the capital	Market making	Grants to employees	Other goals	Total
Position at December 31, 2008		**53,689**	**-**	**335,786**	**389,475**
As a percentage of share capital	26,215,231	0.2%	-	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)
Shares cancelled		-	-	(252,885)	(252,885)
Share allocation/Eralloys minorities buyout		-	-	(24,965)	(24,965)
Position at December 31, 2009		**49,626**	**32,106**	**0**	**81,732**
As a percentage of share capital	26,369,813	0.19%	0.12%	-	0.31%

Over the course of the year, 241,360 shares were purchased at an average price of €177.84 and 245,423 shares were sold at an average price of €179.28.

The carrying amount of the portfolio of 81,372 shares with a par value of €3.05 each, held at December 31, 2009, was €8,560,137.80, with a market value on that same date of €220.75 per share, amounting in total to €18,042,339.

The Company did not use any derivatives during the year.

7.2.8.3. Liquidity contract

In order to ensure a minimum liquidity for its shares at any time, the company has had a liquidity contract in place with EXANE BNP PARIBAS since July 18, 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 above. At the settlement date of December 31, 2009, the liquidity account had the following assets: 50,626 ERAMET shares and €12,301,410.

7.2.8.4. Description of the 2010 buyback programme

LEGAL FRAMEWORK

In accordance with the provisions of Article 241-2 of the general regulations of the AMF and European Regulation No. 2273/2003 of December 22, 2003, the purpose of this section is to describe the terms and goals of the company's buyback programme. This programme, which falls within the scope of Article L. 225-209 of the French Commercial Code, shall be put to the General Shareholders' Meeting of May 20, 2010, deliberating on the basis of the quorum and majority requirements for Ordinary General Shareholders' Meeting.

NUMBER OF SHARES AND PORTION OF THE CAPITAL HELD BY THE COMPANY

As at December 31, 2009, the Company's capital consisted of 26,369,813 shares.

On that date, the Company held 81,732 treasury shares, *i.e.* 0.31% of the share capital.

BREAKDOWN BY GOAL OF THE EQUITY SECURITIES HELD BY THE COMPANY

As at December 31, 2009, the 81,732 treasury shares held by the Company were allocated as follows by goal:

- share price support (liquidity contract): 49,626 shares;
- employee grants: 32,106 shares.

GOALS OF THE NEW BUYBACK PROGRAMME

The goals of this programme would be to:

- support the share price via a liquidity contract with an investment services provider, in accordance with the AMAFI (formerly AFEI) code of conduct recognised by the AMF;
- retain or exchange the shares, particularly as part of an acquisition or when issuing securities granting equity rights;
- grant shares to employees of the company and/or companies that are, directly or indirectly, 50% owned by ERAMET, on the terms and in the manner established by law, particularly with regard to provisions governing stock options and bonus share grants to employees;
- cancel those shares, in accordance with Resolution Ten of the General Shareholders' Meeting of May 13, 2009 authorising a reduction in the company's capital for a period of 26 months.

MAXIMUM PROPORTION OF THE CAPITAL, MAXIMUM NUMBER AND CHARACTERISTICS OF THE EQUITY SECURITIES

10% of the share capital at December 31, 2009, *i.e.* 2,636,981 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 maximum purchase price would be €500 per share.

The maximum amount allocated to these purchases would be €1,318,490,500 for 2,636,981 shares representing 10% of the Company's 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 notes 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 equity rights). More specifically, the use of derivatives shall consist of buying call options and the company should not have occasion to sell put options.

TERM OF THE BUYBACK PROGRAMME

The validity of the programme is limited to a period that will end at the General Shareholders' Meeting approving the financial statements for the 2010 financial year.

7.3. Information on the Company

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 number 632 045 381 000 27.

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

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 September 23, 1963, expiring on September 23, 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
Tel: + 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 with a Board of Directors, governed by the provisions of Articles L. 224-1 *et seq.* of the French Commercial Code (legislative and regulatory part) as well as by the provisions of its Articles of Association.

7.3.6. STATUTORY AUDITING OF THE COMPANY (ARTICLE 20 OF THE ARTICLES OF ASSOCIATION)

As per the law, the Company is audited by two principal Statutory Auditors and two alternate 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 their trading.

For this purpose, it is involved in the following activities, whether directly or indirectly through investments:

- the exploration for, acquisition, leasing, disposal, concession and operation of all mines and quarries of any kind whatsoever;
- the processing, transformation and trading of all ores, mineral and metal substances and their by-products, alloys and any derivatives;
- the manufacture and marketing of all products in which the abovementioned materials or substances are components;
- more generally, any transactions directly or indirectly related to the above objects or that may aid the development of 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 option, manage and operate directly or indirectly any industrial or commercial establishments, plants, construction sites and premises whatsoever, and any movable and tangible objects;
- obtain or acquire any patents, licences, processes and trademarks, operate, transfer or contribute them, and grant all manner of operating licences in any country;
- and, in general, carry out any commercial, industrial, financial, property or chattel transactions that may directly or indirectly relate or contribute to the corporate object or that may facilitate the achievement thereof. It 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, the transactions that are within the scope of its corporate object. It may take any interest or stake, in any form and in any French or foreign company that may aid 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 January 1 and ending on December 31, of each year.

7.3.9. GENERAL SHAREHOLDERS' MEETING

7.3.9.1. Calling of meetings and terms of admission (Articles 21 to 23 of the Articles of Association)

Composition: General Shareholders' Meetings comprise all shareholders in the Company, regardless of the number of shares they hold.

Meeting notice: General Shareholders' 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 either held at the registered office or any other venue in the same French department specified in the Meeting notice.

Terms of admission: all shareholders are entitled to participate in General Shareholders' Meetings, either in person or by proxy through another shareholder or their spouse, subject to proving their identity.

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 have been completed by midnight, Paris time, at least three business days prior to the Meeting. Shareholders may also vote by correspondence pursuant to the provisions of 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.

Jointly owned, split, pledged or sequestrated shares: in the absence of any other provisions of 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 (bare ownership and usufruct), a pledged share or a sequestrated share, shall be given notice to attend 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 some shares. The Extraordinary General Shareholders' Meeting of July 21, 1999 granted a double voting right, with effect from January 1, 2002, to every fully paid-up share for which it can be demonstrated that it has been registered in the name of the same shareholder for more than two years.

Bonus share grants following the 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 merger or demerger of the shareholder company.

In accordance with the law, double voting rights may only be cancelled by a decision of the Extraordinary General Shareholders' Meeting and following approval by the Special Meeting of Beneficiary Shareholders.

Jointly owned, split, pledged or sequestrated shares: in the absence of any other provisions of 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 Ordinary General Shareholders' Meetings, by the bare owner at Extraordinary General Shareholders' Meetings, by one of the joint owners or by a sole proxy in the case of jointly owned shares and by the owner of pledged or sequestrated shares.

Limitation of voting rights: none

Expiry: none, except where otherwise decided by the Extraordinary General Shareholders' Meeting, or the transfer from registered to bearer form.

7.3.10. TRANSFER OF SHARES

Since the deletion of the approval clause by the Meeting of June 15, 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 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 to hold 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 capital and/or voting rights, shall be required, within the prescribed period, to inform the AMF and the Company, by registered letter with acknowledgement of receipt, of the total number of shares and/or voting rights owned by it. The same persons or entities are also required to inform the Company whenever their interest falls below any of the abovementioned thresholds.

Finally, in addition to this duty of disclosure, any person or entity crossing, whether upwards or downwards, the abovementioned thresholds of one-tenth, three-twentieths, one-fifth or one-quarter of the share capital is legally required to declare its intentions for the subsequent six months, within the prescribed period.

In the event of non-compliance with these disclosure obligations, the provisions of Article L. 233-14 of said 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 Meeting of June 15, 1994, any individual or legal entity, whether acting alone or in concert, coming to hold, or ceasing to hold, a fraction equal to 1% of the share capital and/or voting rights, or any multiple of that percentage, must inform the company within ten days, by registered letter with acknowledgement of receipt, sent to the Company's registered office, stating the number of shares and voting rights held.

Failure to make this disclosure shall result in a loss of voting rights for the shares or voting rights in excess of the fraction that should have been disclosed for a period of two years from the date the situation is rectified and upon the mere request of one or more shareholders holding 5% of the share capital or voting rights at a 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 threshold crossings

Date	AMF Decision Reference No.	Object
08/03/1999	199C1045	Declaration of crossing of threshold (ERAP, CEIR, SORAME). Declaration of intent. Appointment of 5 qualified persons as directors. Reminder: dispensation from obligation to file a planned public offer.
12/29/1999	199C2064	Declaration of crossing of threshold. Cogema replaces ERAP.
12/30/1999	199C2068	Declaration of crossing of threshold. AFD replaces ERAP.
07/25/2001	199C0921	Planned amendment to the shareholders' agreement: ERAMET shares held by Cogema were assigned to CEA Industrie.
09/12/2001	201C1140	Declaration of crossing of threshold. Amendment to the shareholders' agreement following AREVA's replacement of Cogema.
12/20/2004	204C1559	Declaration of crossing of threshold and declaration of intent. Maaldrift BV replaced by Carlo Tassara International.
02/14/2006	206C0296	Declaration of crossing over of threshold to 5.0034% of the capital and 2.98% of voting rights by M&G Investments Management Limited.
01/17/2007	207C0134	Declaration of crossing over of threshold to 13.16% of the capital and 7.74% of voting rights, and declaration of intent by Carlo Tassara France.
01/18/2007	207C0137	Declaration of crossing under of threshold (0%) by Carlo Tassara France.
07/24/2007	207C1569	Declaration of the crossing over of threshold to 4.14% of the capital and 4.81% of the voting rights by STCPI.
05/30/2008	208C1042	Amendment to the CEIR – SORAME – AREVA Shareholders' Agreement of June 17, 1999
06/03/2008	208C1083	Declaration of crossing under of threshold to 4.95% of the capital and 2.93% of voting rights by M&G Investments Management Limited.
07/21/2009	209C1013	Amendment to the SORAME-CEIR Shareholders' Agreement of July 19, 1999.

7.3.12. FACTORS LIKELY TO HAVE AN IMPACT IN THE EVENT OF A PUBLIC OFFER

In addition to the information on crossing of thresholds, double voting rights, shareholders' agreements and undertakings detailed herein, the following factors should be noted.

7.3.12.1. Possibility of using capital increase authorisations during a public offer

Resolution Sixteen of the General Shareholders' Meeting of May 13, 2009 empowered the Board for the legally established period to, within the limit of the law – namely when the reciprocity clause in Article L. 233-33 of the French Commercial Code is called into play, make use of the various authorisations under Resolutions 11 to 14 of the same General Shareholders' Meeting for the purposes of issuing shares, miscellaneous marketable securities and/or subscription warrants with waiving or maintaining of shareholders' preferential subscription rights "in the event of one or more public purchase or exchange offers being made for marketable securities issued by the Company".

7.4. Shareholders' agreements

Pursuant to a shareholders' agreement dated June 17, 1999, which came into effect on July 21, 1999, as amended on May 28, 2008, and on which the CMF issued a prior opinion, reference no. 199CO577, 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 of July 19, 1999 that came into effect on July 21, 1999 and that was amended on July 13, 2009, 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 capital of CEIR is held by members of the Duval family (without any of them controlling it alone);
- AREVA, formerly called CEA Industries, which took over the rights and obligations of ERAP, the initial signatory, following a substitution made by an amendment dated July 27, 2001 to the concert agreement of June 17, 1999.

The provisions contained in the shareholders' agreement cited above and those in the sub-agreement can be found in the extracts of the AMF notices no. 208C1042 (dated May 28, 2008) and no. 209C1013 (dated July 13, 2009) that are reproduced below (the full version is available on the AMF's web site).

AMF notice no. 208C1042 dated May 30, 2008

On May 29, 2008, the AMF received by post a shareholder agreement entitled "Amendment no. 2 to shareholder agreement of June 17, 1999", concluded on May 29, 2008 between SORAME SCA, CEIR SAS and certain members of the Duval family who are shareholders of SORAME on the one hand and AREVA on the other hand.

A/ The companies SORAME and CEIR (both controlled by the Duval family), certain members of the Duval family and AREVA are joined in a shareholders' agreement concerning ERAMET, resulting from a private agreement dated June 17, 1999 and an amendment added on July 27, 2001 that substituted AREVA for COGEMA, which itself replaced ERAP on December 1, 1999, in accordance with the terms of the agreement in question.

This shareholders' agreement, which relates to the management and shareholder structure of ERAMET, was concluded for a duration of approximately seven years, starting on July 21, 1999 and expiring on June 30, 2006, but which was to be extended by tacit agreement for periods of one year unless notice of cancellation had been received by registered letter at least one month prior to the expiry of the current period from one or other of the parties.

Prior to the signing, the signatories of the agreement requested from the Conseil des marchés financiers an exemption from the obligation to file a public offer, for both the sub-agreement between SORAME and CEIR, and for the agreement between SORAME, CEIR and ERAP. This exemption was granted.

In the absence of a cancellation by one or other of the parties before the May 31, 2006, or before the May 31, 2007, the ERAMET shareholders' agreement between SORAME, CEIR and AREVA was tacitly extended, first from July 1, 2006, for one year ending on June 30, 2007, and then from July 1, 2007 for one year ending on June 30, 2008.

SORAME, CEIR, certain members of the Duval family and AREVA then signed, on May 29, 2008, an amendment to the 1999 agreement in which they extended until December 31, 2008 their agreement with some modifications that were contained in a new version – applicable from May 29, 2008 – of the agreement originally signed on June 17, 1999. (…)

C/ The most important additional clauses are the following:

- Undertaking to cooperate: the parties agree to extend their concert party concerning ERAMET.
- The members of the ERAMET Board of Directors:
  The Board of Directors will contain 7 directors proposed by SORAME and CEIR, of whom two are natural persons appointed for their expertise and independence, 5 directors appointed by AREVA, of which 2 are natural persons nominated for their expertise and independence, 2 directors proposed by STCPI and one director appointed to preside over the ERAMET Board of Directors. This arrangement will be maintained unless (i) either SORAME and CEIR or AREVA modify their capital stakes in ERAMET by more than 10%, based on their size at the time of the signing of the amendment, or (ii) STCPI reduces its stake in ERAMET to below 635,372 ERAMET shares.
- Presidency, the selection committee: all parties undertake to consult prior to any nomination of a new CEO or new managers of any of ERAMET's three branches of activity.
- Undertaking to consult: the parties undertake to consult before any General Meeting of ERAMET shareholders, with a view to coordinating their exercise of voting rights and implementing a joint policy with regard to this company.
- Stability of the pact: provided that AREVA does not increase its stake in ERAMET by more than 2%, either directly or indirectly, SORAME and CEIR undertake to maintain sufficient ERAMET shares and voting rights in order to retain a majority position in the overall pact between SORAME, CEIR, and AREVA, except in the event of a sale of shares that represents, when combined with any that may have been sold since the signing of the clause, at least 80% of the stake held in ERAMET at the signing of the clause on May 29 that was added to the agreement of June 17, 1999.

- Reciprocal right of first refusal (pre-emption):
  The parties grant each other a reciprocal right of first refusal:
  - in the event of a firm intention to sell on the market to unidentified third parties, either gradually, by Accelerated Book Building (ABB) or through a Fully Marketed Offering (FMO), a pre-determined number of ERAMET shares;
  - in the event of a plan to sell to one or several unidentified third parties one or several blocks of ERAMET shares, either by application or privately;
  - in the event of the contribution of all or part of the ERAMET stake, to be paid in shares of the company benefiting from the contribution.
- A call option granted to AREVA:
  The Duval family grants a call option to AREVA applicable to all SORAME shares held directly or indirectly by the natural persons named in the concert, Messrs Cyrille, Georges, Edouard and Patrick Duval, in the event that a sale of SORAME shares or an operation targeted against its capital were to reduce to below 50% their overall stakes in this company, either in terms of capital or voting rights.
  In the event that AREVA exercises its call option, the price of the sale will be set by an expert.

The right of first refusal and the call option are not applicable to intragroup reclassifications or to transfers made free of charge to natural persons.

The agreement of June 17, 1999 is replaced by that of May 29, 2008, which will expire on December 31, 2008. It will be extended tacitly for periods of 6 months, unless one or other party cancels the agreement with notice of at least 15 calendar days prior to the expiry of the current half-year period.

The agreement will expire, along with the undertaking to cooperate between the parties, in the event of a sale by either party of more than 80% of its stake in ERAMET, or in the event of a change in the balance of the overall agreement between SORAME, CEIR and AREVA.

AMF notice no. 209C1013 of July 21, 2009

On July 16, 2009, the AMF received by post a shareholder agreement entitled "Amendment no. 1 to the agreement of July 19, 1999 for ERAMET shareholders between SORAME and CEIR", concluded on July 13, 2009 between SORAME SCA and CEIR SAS.

A/ On July 19, 1999, the companies SORAME and CEIR (both controlled by the Duval family) signed a shareholders' agreement for a duration of 10 years from July 21, 1999.

This agreement allowed for the following:

- the inalienability of their ERAMET shares for a period of 5 years, except for each company up to a maximum of 1.5% of the ERAMET capital;
- complete freedom to sell their ERAMET shares to each other, provided that SORAME retains at least 70% of the ERAMET shares held in concert and CEIR no more than 30%, with a commitment to maintain these proportions between them in the event that their respective stakes are increased;
- reciprocal pre-emption rights on their ERAMET shares;
- an undertaking to consult prior to any ERAMET General Meeting with a view to coordinating their exercise of voting rights and implementing a unified strategy with regard to this company. (…)

C/ On July 13, 2009, SORAME and CEIR signed an additional clause to the agreement of July 19, 2009 described in point A above, by which they extended until July 21, 2014 their pact, with certain modifications, thus replacing the shareholder agreement of July 19, 1999 with a new version dated July 13, 2009.

The key points in this amendment between SORAME and CEIR are as follows:

- Stability of the SORAME/CEIR concert: except in the event of the sale of at least 80% of their combined stake in ERAMET and provided that AREVA does not increase its stake in ERAMET by more than 2%, the parties undertake to maintain the required number of shares and voting rights to ensure that their sub-agreement remains predominant in the overall pact.
- Sale of ERAMET shares between SORAME and CEIR: the two parties are free to sell ERAMET shares to each other, provided that SORAME detains at least 70% of the ERAMET shares held by the two parties and CEIR a maximum of 30%.
- An increase by SORAME or CEIR of their respective stakes in ERAMET: the parties are free to increase their capital stakes in ERAMET on condition that they do not increase their stakes by more than 2% of the capital or the voting rights within a 12-month period.
- An undertaking to consult between the parties prior to any General Meeting of ERAMET, with a view to coordinating their exercise of voting rights and implementing a unified strategy with regard to ERAMET.

This agreement replaces the pact of July 19, 1999 and expires on July 21, 2014, from which date it may be extended tacitly for two-year periods, unless one of the parties gives notice of cancellation at least one month before the end of the period underway.

The agreement will also expire, as will the cooperation between the parties, in the event that one party sells more than 80% of its stake in ERAMET.

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Furthermore, Chapter 4 of this document, "Corporate governance", details Board and Committee membership.

To the best of ERAMET's knowledge, there are no other shareholders' agreements.

8

GENERAL SHAREHOLDERS' MEETING – WORDING OF DRAFT RESOLUTIONS

8.1. Within the remit of the Ordinary General Shareholders' Meeting

RESOLUTION ONE (2009 SEPARATE FINANCIAL STATEMENTS)

Having heard the Report of the Board of Directors and the Report of the Statutory Auditors for the year ended December 31, 2009, the General Shareholders' Meeting approves the financial statements for said year as presented as well as the transactions reflected in those financial statements or summarised in those reports.

RESOLUTION TWO (2009 CONSOLIDATED FINANCIAL STATEMENTS)

Having heard the Report of the Board of Directors and the Report of the Statutory Auditors on the consolidated financial statements for the year ended December 31, 2009, the General Shareholders' Meeting approves said consolidated financial statements as presented as well as the transactions reflected in those financial statements or summarised in those reports.

RESOLUTION THREE (RELATED-PARTY AGREEMENTS)

Having heard the Special Report of the Statutory Auditors on the agreements covered by Articles L. 225-38 *et seq.* of the French Commercial Code, the General Shareholders' Meeting approves that report and the agreements listed therein.

RESOLUTION FOUR (ALLOCATION OF EARNINGS – SETTING THE DIVIDEND)

Pursuant to the proposal from the Board of Directors, the General Shareholders' Meeting resolves to deduct the loss for the past financial year, namely €29,941,560.06, from the retained earnings as of December 31, 2008[1], namely €483,564,141.83,

- bringing the balance of retained earnings to: €453,622,581.77
- the General Shareholders' Meeting resolves to distribute €1.80 per share, representing, in respect of the 26,369,813 shares in the share capital on December 31, 2009, the sum of €47,465,663.40; leaving retained earnings of: €406,156,918.37

The dividend will be detached on May 31, 2010 and paid from June 23, 2010.

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 with respect to the past financial year and the prior three financial years, were as follows:

	2006	2007	2008	2009
Number of shares receiving dividends	25,880,894	25,905,621	26,215,231	**26,369,813**
Dividend	€2.90	€6.00	€5.25	**€1.80**

RESOLUTION FIVE (OPTION OF STOCK DIVIDEND)

In accordance with Articles L. 232-18 *et seq.* of the French Commercial Code and Article 25 of the Articles of Association, the General Shareholders' Meeting resolves to grant each shareholder the option of receiving their full dividend entitlement as a stock dividend.

This option may be exercised between May 31, 2010 and June 11, 2010 inclusive. If the option is not exercised by the deadline, the dividend will only be paid out in cash.

The shares thereby allocated in payment of the dividend will have a dated date of January 1, 2010.

The issue price of the new shares that will be allocated in payment of the dividend will be equal to 90% of the average of the opening prices for the ERAMET share over the twenty trading sessions prior to the date of this General Shareholders' Meeting, reduced by the amount of the dividend, with, as the case may be, the price being rounded up to the nearest euro cent.

If the amount of the dividend for which the option is exercised does not correspond to a whole number of shares, shareholders may either elect to obtain the immediately higher number of shares by paying the difference in cash on the date their option is exercised, or receive the number of shares immediately below plus a cash balance.

The General Shareholders' Meeting grants the Board of Directors the broadest possible powers to implement or further delegate in the legally established manner this decision, for the purposes of taking all measures and carrying out all actions relating to or resulting from the option exercise, suspending the exercise of the right to receive a stock dividend for a period of not more than three months in the event of a capital increase, carrying out all formalities necessary for the issue, for listing the shares issued by virtue of this decision, for ensuring its successful completion and for the financial servicing of the shares, charging the cost of said capital increase to the amount of the related premium, and deducting from this amount the sums necessary to raise the legal reserve to one tenth of the new share capital, recording the capital increase and making the corresponding amendments to the Articles of Association.

(1) Retained earnings on December 31, 2009 included the €1,878,707.40 relating to the dividend approved but not paid out on Treasury stock held by ERAMET on the 2009 dividend payment date.

RESOLUTION SIX (RATIFICATION OF THE CO-OPTION OF A DIRECTOR)

The General Shareholders' Meeting ratifies the co-option as director of Pierre FROGIER that took place at the Board Meeting of November 26, 2009, replacing Harold MARTIN, who resigned with effect from November 3, 2009, for the remaining period of the latter's term of office, namely until the end of the General Shareholders' Meeting called to approve the financial statements for the 2012 financial year, to take place in 2013.

RESOLUTION SEVEN (AUTHORISATION TO TRADE IN THE COMPANY'S SHARES)

Having taken note of the description of the Company's share buyback programme and making use of the power provided under Article L. 225-209 of the French Commercial Code, the General Shareholders' Meeting authorises the Board of Directors to have the Company buy back its own shares up to a maximum of 10% of the share capital, with a view to:

- supporting the share price via a liquidity contract with a market maker, in accordance with the AMAFI code of conduct recognised by the AMF;
- retaining or exchanging them, particularly as part of an acquisition or when issuing securities granting equity rights;
- granting shares to the employees of the company and/or companies that are, directly or indirectly, 50% owned by ERAMET, on the terms and in the manner established by law, particularly with regard to the provisions governing stock options and bonus share grants to employees;
- cancelling them, subject to the General Shareholders' Meeting adopting resolution six authorising a reduction in the Company's capital.

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.

This may also be carried out during a takeover period if, firstly, the bid for the company's shares is fully paid in cash and, secondly, the buybacks are carried out in the normal course of its business.

Payment may be by any means.

The maximum purchase price may not exceed €500 per share.

This authorisation is granted for a period that will end at the General Shareholders' Meeting called to approve the financial statements for the 2010 financial year.

On the basis of the number of shares in the share capital at February 28, 2010, assuming a price of €500 per share, the maximum theoretical investment would amount to €1,318,665,650.

For the purposes of implementing this resolution, the Board of Directors is fully empowered, and may delegate these powers, for the purposes of:

- 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.

RESOLUTION EIGHT (ISSUE OF BONDS AND SIMILAR SECURITIES)

The General Shareholders' Meeting, in accordance with Article 10 of the Articles of Association and having noted the report from the Board of Directors, authorises the Board of Directors to issue, on one or more occasions, at its sole discretion, in France, abroad or on the international market, by public offer or private placement, and as the case may be as part of a Euro Medium Term Notes (EMTN) programme, on the dates and terms of its choosing and within 36 months from the date of this Meeting, bonds or similar securities, including subordinated securities, with fixed maturities or otherwise, or any other securities granting, in a given issue, the same claim on the company, with or without warrants providing entitlement to the granting, acquisition or subscription for bonds, similar securities or other securities or marketable securities granting such a claim over the Company.

The General Shareholders' Meeting resolves that the maximum nominal amount applicable to all of the above-mentioned issuable securities may not exceed €400 million, or the exchange value on the date of the decision to issue of this amount in currencies other than the euro, or in any other monetary units established by reference to a basket of currencies, it being stipulated that this maximum amount shall apply overall to the bonds or similar securities, as well as to debt securities issued upon or following the exercise of warrants, but that this amount shall not include redemption premiums should such be specified.

The Meeting grants the broadest possible powers to the Board of Directors, with the option to further delegate in the legally established manner, for the purposes of:

- carrying out these issues within the aforementioned limits, and determining their date, type, amount and currency of issue;
- determining the characteristics of the issuable securities, particularly their nominal value and dated date, issue price, whether they carry a premium, interest rate (fixed, variable or zero-coupon) and payment date or, in the case of variable-rate securities, the process for determining the interest rate or the terms regarding the capitalisation of the interest;
- setting, in light of market conditions, the terms regarding repayment or early redemption of the securities issued, as the case may be with a fixed or variable premium, or even repurchase by the Company;
- if appropriate, deciding to furnish a guarantee or security for the securities to be issued, and deciding its nature and characteristics;
- if appropriate, providing for the repayment of the issued securities by means of Company assets;
- in general, deciding all the terms and conditions for each issue, making any covenants, entering into any agreements with any banks or organisations, making any arrangements and fulfilling all required formalities, and generally doing whatever is necessary.

8.2. Within the remit of the Extraordinary General Shareholders' Meeting

RESOLUTION NINE (ENTITLEMENT TO USE AUTHORISATIONS DURING A PUBLIC OFFER PERIOD)

The General Shareholders' Meeting expressly grants the Board of Directors the right to use, either in whole or in part, pursuant to legal provisions, the various authorisations granted under resolutions Eleven to Fourteen passed by the General Shareholders' Meeting of May 13, 2009, in the event of the occurrence of one or more public purchase or exchange offers for the securities issued by the Company in circumstances covered by the first paragraph of Article L. 233-33 of the French Commercial Code.

This authorisation is valid for the period established by law.

RESOLUTION TEN (BONUS SHARE GRANTS)

Having noted the Report of the Board of Directors and the Special Report of the Statutory Auditors, the General Shareholders' Meeting authorises the Board of Directors to carry out bonus grants of existing or new shares, in accordance with Articles L. 225-197-1 and L. 225-197-2 of the French Commercial Code, to corporate officers and employees of the Company and related companies within the meaning of Article L. 225-180 of the French Commercial Code.

The total number of bonus shares that may be granted under this authorisation may not exceed 300,000 shares.

The share grant to the beneficiaries shall be definitive at the end of a vesting period of at least two years.

In addition, beneficiaries may not sell the shares granted to them under this authorisation for a minimum of two years from the definitive share grant.

However, the General Shareholders' Meeting authorises the Board of Directors not to set a lock-in period for the shares in question, provided that the vesting period for all or part of one or more issues is at least four years.

The bonus shares granted may consist of existing or new shares. In the latter case, the share capital shall be accordingly increased by incorporating reserves, earnings or issue premiums.

As the decision to grant bonus shares falls to the Board of Directors, it shall determine the identity of the beneficiaries of the share grants, set the terms and where appropriate the share grant criteria.

In accordance with legal provisions, at the end of the mandatory holding period, the shares may not be sold:

a) within ten trading sessions prior to and following the date on which the consolidated financial statements, or alternatively the separate financial statements, are made public;
b) during a period running from the date on which the Company's corporate bodies become aware of a piece of information that, if made public, could have a significant impact on the price of the Company's securities, to the date subsequent to ten trading sessions after that on which that piece of information is made public.

The Board of Directors may make use of this authorisation, on one or more occasions, for a period of thirty-eight months from this Meeting.

RESOLUTION ELEVEN (POWERS)

The Combined Ordinary and Extraordinary General Shareholders' Meeting, fully empowers the bearer of an original, an extract or a copy of the minutes of this Meeting to carry out any filing or formality that may be necessary.

8.3. Report of the Statutory Auditors on the resolutions presented to the General Shareholders' Meeting

STATUTORY AUDITORS' SPECIAL REPORT ON THE GRANTING OF EXISTING SHARES OR NEW SHARES TO BE ISSUED FOR NO CONSIDERATION TO EMPLOYEES AND CORPORATE OFFICERS OF THE COMPANY – COMBINED SHAREHOLDERS' MEETING OF MAY 20, 2010 – (TENTH RESOLUTION)

To the Shareholders,

As Statutory Auditors of your company and pursuant to the engagement set forth in Article L. 225-197-1 of the French Commercial Code (*Code de commerce*), we hereby report on the proposed granting of existing shares or new shares to be issued for no consideration to corporate officers and employees of your Company and of its affiliated companies in accordance with the meaning set forth in Article L. 225-197-2 of the French Commercial Code.

Your Board of Directors asks that you authorize it to grant existing shares or new shares for no consideration. It is the role of the Board to draw up a report on this transaction that it wishes to carry out. Our responsibility, when necessary, is to make comments on the information which is provided to you on the planned transaction.

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 that the planned methods as described in the Board of Director's report comply with legal provisions.

We have no comments to make on the information provided in the Board of Director's report on the planned transaction to grant shares for no consideration.

Neuilly-sur-Seine, March 1, 2010

The Statutory Auditors

ERNST & YOUNG et Autres	Deloitte & Associés
Aymeric de la MORANDIÈRE	Alain PENANGUER

9

ADDITIONAL INFORMATION

9.1. Person responsible for the Reference Document

9.1.1. NAME AND POSITION OF PERSON RESPONSIBLE

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 does not contain any omission that could affect its scope.

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 * 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 checked 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.

The 2009 consolidated financial statements presented in the Reference Document were the subject of a report by the Statutory Auditors, set out on page 215 of the said document, which contains an observation regarding changes to accounting methods and rules as detailed in note 1.1 “Accounting principles and measurement methods” of the notes to consolidated financial statements.

Name:	Patrick Buffet
Title:	Chairman and CEO
Signature:	Drawn up in Paris, April 16, 2010

* 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”.

9.2. Statutory Auditors

The Company's separate and consolidated financial statements have been audited by the Statutory Auditors listed below:

9.2.1. STATUTORY AUDITORS

9.2.1.1. Ernst & Young at Autres

Address: 41, rue Ybry – 92200 Neuilly-sur-Seine –438 476 943 Nanterre Trade Registry.
Partner responsible for the audit: Aymeric de la Morandière.
Date of appointment: General Shareholders' Meeting of May 13, 2009.
Date of end of term: General Shareholders' Meeting called in 2015 to approve the 2014 financial statements.

Ernst & Young Audit, Tour Ernst & Young, 11, allée de l'Arche – Paris-La Défense Cedex, represented by François Carrega as partner responsible for the audit, has acted in this capacity for the prior six financial years.

9.2.1.2. DELOITTE & ASSOCIÉS

Address: 185, avenue Charles-de-Gaulle – 92254 Neuilly-sur-Seine Cedex, – 572 028 041 Nanterre Trade Registry.
Partner responsible for the audit: Alain Penanguer.
Date of appointment: General Shareholders' Meeting of May 11, 2005, reappointed at the General Shareholders' Meeting of May 13, 2009.
Date of end of term: General Shareholders' Meeting called in 2015 to approve the 2014 financial statements.
Nicholas L. E. Rolt was the partner responsible for the audit on behalf of Deloitte & Associés until reappointment on May 13, 2009.

9.2.2. ALTERNATE AUDITORS

9.2.2.1. Auditex

Address : Tour Ernst & Young, 11, allée de l'Arche – Paris-La Défense Cedex – 377 652 938 Nanterre Trade Registry.
Date of appointment: General Shareholders' Meeting of May 13, 2009.
Date of end of term: General Shareholders' Meeting called in 2015 to approve the 2014 financial statements.
Jean-Marc Montserrat has acted in this capacity for the prior six 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 – 315 172 445 Nanterre Trade Registry.
Date of appointment: General Shareholders' Meeting of May 11, 2005, reappointed at the General Shareholders' Meeting of May 13, 2009.
Date of end of term: General Shareholders' Meeting called in 2015 to approve the 2014 financial statements.

9.3. Financial disclosures

9.3.1. PERSON RESPONSIBLE FOR DISCLOSURE

Person responsible:	Philippe Joly
Capacity:	Strategy and Financial Communications Manager
Address:	ERAMET
	Tour Maine – Montparnasse
	33, avenue du Maine
	75755 Paris Cedex 15 – France
	Telephone: 33 (0) 1 45 38 42 02

9.3.2. COMMUNICATIONS PROCESS AND DIARY

Frequency: in line with regulations, ERAMET publishes its separate and interim results and releases its quarterly sales.

Distribution: in addition to appearing 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 – under the Investors section), and are disseminated in accordance with 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, the source of which is not specifically indicated, is 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 General Counsel at its registered office: Tour Maine Montparnasse – 33, avenue du Maine – 75015 Paris, France.

9.3.2.1. 2010 diary

Publication of 2009 sales and results:	Thursday February 18, 2010	(before market opening)
Publication of Q1 sales:	Thursday April 29, 2010	(before market opening)
General Shareholders' Meeting:	Thursday May 20, 2010	
Publication of Q1 sales and results:	Thursday July 29, 2010	(before market opening)
Publication of Q3 sales:	Thursday October 28, 2010	(before market opening)

9.3.3. LIST OF FINANCIAL DISCLOSURES AND PRESS RELEASES

February 18, 2010: 2009 annual results.

February 16, 2010: Bolloré – ERAMET – agreement on the exploitation of lithium deposits in Argentina.

January 20, 2010: Information on Carlo Tassara France summons

December 11, 2009: Agreement to acquire Valdi (France), a non-ferrous metals recycling business.

December 10, 2009: Agreement to dispose of Nizi, an international trading business acquired in 2008 as part of Tinfos.

November 19, 2009: Board Meeting of Société Le Nickel (SLN) in New Caledonia.

October 28, 2009: Q3 2009 sales.

July 30, 2009: S1 2009 results.

June 24, 2009: ERAMET raises its interest in Eralloys to 100% following the buyout of minority interests.

May 14, 2009: Completion of the second phase of the acquisition of Eralloys (formerly Tinfos) (Norway).

May 13, 2009: ERAMET's General Shareholders' Meeting.

April 30, 2009: Q1 2009 sales.

April 14, 2009: Aubert & Duval and UKTMP establish a titanium processing unit (UKAD) in Auvergne (France).

April 7, 2009: Laying of the foundation stone at the Moanda Metallurgy Complex (Gabon).

March 12, 2009: Acquisition of Eralloys (formerly Tinfos): new agreement allowing ERAMET to raise its interest in Eralloys to 100%.

February 19, 2009: ERAMET – Excellent results despite the strong impact of the crisis in Q4 – Weda Bay Project: new partnership with Mitsubishi.

January 21, 2009: Board of Directors – ERAMET adjusts its production to changes in demand and confirms its current operating profit forecast for 2008.

January 20, 2009: ERAMET – Partnership with the Southern Province of New Caledonia for the development of Prony and Pernod Creek world class nickel deposits.

Bulletin of Mandatory Legal Announcements (BALO) publications

Notice of Meeting serving as invitation to the General Shareholders' Meeting:	April 6, 2009
Amendment to the notice of General Shareholders' Meeting:	April 27, 2009
Notice of approval of financial statements without change:	May 20, 2009

9.4. List of reports – Financial year ended December 31, 2009

Internal reports

	Chapter
Report of the Chairman of the Board of Directors of ERAMET – 2009 financial year	4.1.

External reports

	Chapter
Report of the Statutory Auditors on the 2009 consolidated financial statements	6.1.3.
Report of the Statutory Auditors on the 2009 separate financial statements	6.2.4.
Special Report of the Statutory Auditors on 2009 related-party agreements	6.2.5.
Report of the Statutory Auditors 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 – 2009 financial year	4.1.
Report of the Statutory Auditors on the resolutions presented to the General Shareholders' Meeting	8

9.5. Concordance table — Annual financial report

This Reference Document contains all the information that must be included in annual financial reports pursuant to the provisions of 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 makes it possible to identify the sections contained herein.

No.	Annual financial report information	Reference document
1	Statement from management regarding the fairness of the information	Chapter 9.1.
2	Consolidated financial statements	Chapter 6.1.
3	Report of the Statutory Auditors on the consolidated financial statements – Financial year ended December 31, 2009	Chapter 6.1.3.
4	Separate financial statements of the parent company – Financial year ended December 31, 2009	Chapter 6.2.
5	Report of the Statutory Auditors on the separate financial statements – Financial year ended December 31, 2009	Chapters 6.2.4. and 6.2.5.
6	Management report:	
	- Business activities	- Chapter 1, 2 and 4
	- Financial commentary	- Chapter 1
	- Research and Development	- Chapter 2
	- Organisational chart	- Chapter 2
	- Information on workforce and management remuneration	- Chapter 4 and 5
	- Environmental information	- Chapter 5
	- Share capital increase authorisations	- Chapter 7
	- Factors likely to have an impact in the event of a public offer	- Chapter 7
	- Share buyback programme	- Chapter 7
7	Fees paid to the Statutory Auditors	Chapter 6.5.
8	Report of the Chairman of the Board of Directors of ERAMET Report of the Statutory Auditors 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	Chapter 4

9.6. Correspondence table – European regulation 809-2004

The following correspondence table identifies the main sections required under European Regulation no. 809-2004, implementing the so-called "Prospectus" directive.

Chapter	Information	Reference document
1	Persons responsible	9.1.
1.1.	Persons responsible	9.1.
1.2.	Declaration by persons responsible	9.1.
2	Statutory Auditors	9.2.
2.1.	Information on Statutory Auditors	9.2.
2.2.	Changes	Not applicable
3	Financial information	1
3.1.	Selected financial information	1
3.2.	Interim pediod	Not applicable
4	Risk factors	3
5	Information about the issuer	
5.1.	History and development of the issuer	1.3.
5.2.	Investments	1.2.4.
6	Business overview	
6.1.	Principal activities	2
6.2.	Principal markets	2
6.3.	Exceptional factors affecting activities and markets	2
6.4.	Potential dependency	2
6.5.	Competitive position	2
7	Organisational structure	
7.1.	Group	4.1.
7.2.	Main subsidiaries	2.1.
8	Property, plant & equipment	
8.1.	Material tangible fixed assets	2.7.
8.2.	Environmental issues for such assets	5.3.
9	Operating and financial review	
9.1.	Financial condition	1.2.
9.2.	Operating results	1.2.
10	Capital resources	
10.1.	Capital resources	1.2.
10.2.	Cash flows	1.2.
10.3.	Funding structure	1.2.
10.4.	Restrictions on the use of capital resources	1.2.
10.5.	Sources of funds	1.2.
11	Research and development, patents and licences	2.8.
12	Information on trends	
12.1.	Trends	1
12.2.	Material effect	1
13	Profit forecasts or estimates	
13.1.	Assumptions	Not applicable
13.2.	Report	Not applicable
13.3.	Comparison	Not applicable
13.4	Update	Not applicable
14	Administrative, Management and Supervisory bodies and senior management	
14.1.	Information on members	4
14.2.	Conflicts of interest	4

Chapter	Information	Reference document
15	Remuneration and benefits	
15.1.	Remuneration	4
15.2	Pensions, retirement or similar benefits	4
16	Board practices	
16.1.	Terms of office	4
16.2.	Service contracts	4
16.3.	Committees	4
16.4.	Compliance	4
17	Employees	
17.1.	Information on employees	5.14.
17.2.	Shareholdings and stock options	5.14.
17.3	Employees' shareholdings	5.14.
18	Major shareholders	
18.1.	Shareholders	7.2.
18.2.	Voting rights	7.2.
18.3.	Ownership and control	7.2.
18.4.	Agreements related to control	7.4.
19	Related party transactions	6.2.
20	Financial information on the issuer's assets and liabilities, financial position and profits and losses	
20.1.	Historical financial information	6
20.2.	Pro forma financial information	Not applicable
20.3.	Financial statements	6
20.4.	Auditing of historical financial information	6
20.5.	Age of latest financial information	6
20.6.	Interim and other financial information	Not applicable
20.7.	Dividend policy	6.4.
20.8.	Legal and arbitration proceedings	3 et 6
20.9.	Significant change in the issuer's financial or trading position	Not applicable
21	Additional Information	
21.1.	Share capital	7
21.2.	Memorandum and Articles of Association	7
22	Material contracts	3
23	Third-party information, statements by experts and declarations of any interest	
23.1.	Declarations of interest	Not applicable
23.2.	Confirmation	Not applicable
24	Documents on display	9
25	Information on holdings	2 / 6

9.7. Glossary

9.7.1. PROCESSES

Ore beneficiation
Used by Société Le Nickel-SLN, this innovative technology sorts particles by size and density to improve ore grade in order to use a larger share of a deposit and so extend the lifespan of reserve.

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

Hydrometallurgy
Reduction of metal oxides and metal-oxide separation by chemical processes (leaching, solvent extraction, electrolysis).

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

Pyrometallurgy
Metal oxide reduction and metal-oxide separation by melting in a blast furnace or electric furnace.

Closed-die forging
The process of shaping a piece of metal by hot pressing it between two engraved dies to produce complex forms, in one stroke and at a slow speed.

Alloy metallurgy
Air metallurgy: melting takes place in an arc furnace and is followed by metallurgical treatment to add alloying metals, eliminate impurities and obtain the required chemical analysis.

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

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

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

9.7.2. PRODUCTS

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

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

Electrolytic Manganese Dioxide (EMD)
Active agent in alkaline batteries.

Ferroalloys
Alloys containing iron and at least one other metal that is added to liquid steel to produce alloy steels with the desired properties.

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

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

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

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

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

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

9.8. Addresses of consolidated subsidiaries

	Nickel	Manganese	Alloys	Holding company	Consolidation methods	Percentage Interest
Australia						
Weda Bay Minerals Pty Ltd. (Nickel) Unit 5, 46 Hillside Crescent Hamilton Qld 4007 PO Box 508 Fortitude Valley Qld 4006 Australia (617) 3624 8103	✓				FC	100.00%
Belgium						
Erachem Comilog S.A. Rue du Bois 7334 Saint-Ghislain Belgium		✓			FC	67.25%
Canada						
Gulf Chemical and Metallurgical Canada Corporation P. O. Box 3510 55418 Range Road 214 Fort Saskatchwan, Alberta Canada T8L4A4+1 (780) 998 8700		✓			FC	67.25%
Weda Bay Minerals Inc. (Nickel) 14th Floor, 220 Bay Street Toronto Ontario, M5J2W4 Canada (416) 603 0591	✓				FC	100.00%
China						
ERAMET Comilog Shanghai Trading Co. Ltd. Room 2612, 26 Floor Bank of China Tower No. 200 Yin Cheng Zhong Road, Pudong, Shanghai, China 86-21-6100 6161		✓			FC	93.45%
Erasteel Innovative Material Co Ltd. Room 2607-2612 Bank of China Tower N° 200 Yin Cheng Zhong Road Pudong 200-120, Shanghai China			✓		FC	100%
Guangxi ERAMET Comilog Chemicals Room 2612-26F China Bank Tower 200 Yincheng Road Central Pudong Shanghai 200120 China 86- 21 6100 6161		✓			FC	93.45%

	Nickel	Manganese	Alloys	Holding company	Consolidation methods	Percentage Interest
Guangxi Comilog Ferro Alloys Ltd. Fenghuang Town, Laibin County, Guangxi Province, 546102 China 86- 7724 812 288		✓			FC	65.42%
Guilin Comilog Ferro Alloys Ltd. Unit 1201, Huaneng Union Tower n° 139 Yin Cheng Dong Road, Pudong 200120 Shanghai P.R.C. China 86-21 6881-0625		✓			FC	93.45%
United States						
Bear Metallurgical Corp. 302 Midway Road - P.O. Box 2290 Freeport Texas 77541 United States 1-979 233 7882		✓			FC	67.25%
Comilog US 610 Pittman Road MD 21226 Baltimore-Maryland United States 1-410 636 71 26		✓			FC	67.25%
ERAMET MARIETTA Inc. P.O. Box 299 State Route 7 – South Marietta, Ohio 45750-0299 United States 1-740 374 1000		✓			FC	100.00%
Erachem Comilog Inc. 610 Pittman Road Baltimore-Maryland MD 21226-1788 United States 1-410 789 8800		✓			FC	67.25%
Erasteel Inc. 95 Fulton street Boonton NJ 07005 – 1909 United States 1-973 335 8400			✓		FC	100.00%
Gulf Chemical and Metallurgical Corp. 302 Midway Road - P.O. Box 2290 Freeport Texas 77541 United States 1-979 233 7882		✓			FC	67.25%
France						
Airforge 75, bd de la Libération BP 173 09102 Pamiers Cedex France 33 (0) 4 77 40 36 47 33 (0) 5 61 68 44 24/22			✓		FC	100.00%

	Nickel	Manganese	Alloys	Holding company	Consolidation methods	Percentage Interest
Aubert & Duval Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France 33 (0) 1 45 38 42 42			✓		FC	100.00%
Comilog Dunkerque Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France 33 (0) 1 53 91 24 05		✓			FC	67.25%
Comilog France Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France 33 (0) 1 53 91 24 05		✓			FC	67.25%
Comilog Holding Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France 33 (0) 1 45 38 42 42		✓			FC	67.25%
Comilog International Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France 33 (0) 1 45 38 42 42		✓			FC	67.25%
ERAMET Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France 33 (0) 1 45 38 42 42					Parent company	
ERAMET Alliages Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France 33 (0) 1 45 38 42 42			✓		FC	100.00%
ERAMET Comilog Manganèse Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France 33 (0) 1 45 38 42 42		✓			FC	83.63%
ERAMET Holding Nickel Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France 33 (0) 1 45 38 42 42	✓				FC	100,00 %

	Nickel	Manganese	Alloys	Holding company	Consolidation methods	Percentage Interest
ERAMET Holding Manganèse Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France 33 (0) 1 45 38 42 42		✓			FC	100.00%
Erasteel Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France 33 (0) 1 45 38 42 42			✓		FC	100.00%
Erasteel Commentry 1, place Martenot BP 1 03600 Commentry France 33 (0) 4 70 28 78 00			✓		FC	100.00%
Erasteel Champagnole 23, rue Georges-Clemenceau BP 104 39300 Champagnole France 33 (0) 3 84 52 64 44			✓		FC	100.00%
Eurotungstene 9, rue André-Sibellas BP 152X 38042 Grenoble Cedex 9 France 33 (0) 4 76 70 54 54	✓				FC	100.00%
Interforge Z.I. de la Maze BP 75 63501 Issoire France 33 (0) 4 73 89 07 83			✓		FC	94.00%
Metal Currencies Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France 33 (0) 1 45 38 42 42				✓	FC	100.00%
Metal Securities Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France 33 (0) 1 45 38 42 42				✓	FC	100.00%
S.I.M.A. Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France 33 (0) 1 40 88 20 55			✓		FC	100.00%

	Nickel	Manganese	Alloys	Holding company	Consolidation methods	Percentage Interest
UKAD Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France 33 (0) 1 45 38 42 42			✓		IP	50.00%
Gabon						
Comilog S.A. Compagnie minière de l'Ogooué Z.I. de Moanda BP 27-28 Gabon 241-66 10 00		✓			IG	67.25%
PMO (Port Minéralier d'Owendo) Compagnie minière de l'Ogooué Z.I. de Moanda BP 27-28 Gabon 241-66 10 00		✓			IG	65.40%
Setrag BP 578 Libreville Gabon 00241708049		✓			IG	56.66%
Hong Kong						
Comilog Asia Ferro Alloys Ltd. Unit 1402, Toxer one, Lippo Centre 89, Queensway, Admiralty Hong Kong 852-2 529 60 60 46		✓			IG	93.45%
Comilog Asia Ltd. Unit 1402, Toxer one, Lippo Centre 89, Queensway, Admiralty Hong Kong 852-2 529 31 99		✓			IG	93.45%
Comilog Far East Development Ltd. Unit 1402, Toxer one, Lippo Centre 89, Queensway, Admiralty Hong Kong 852-2 529 31 99		✓			IG	93.45%
Indonesia						
Pt Weda Bay Nickel Wisma Raharja 8th Floor Jl. TB. Simatupang, Kav. 1 Cilandak Timur – Jakarta Selatan 12560 Indonesia +62 (21) 788 49 866	✓				IG	59.94%
Luxembourg						
Eras S.A. 6 B Route de Trève L-2633 Luxembourg Luxembourg				✓	IG	100.00%

	Nickel	Manganese	Alloys	Holding company	Consolidation methods	Percentage Interest
Mexico						
Industrias Sulfamex / Erachem Mexico Carretera Tampico - Valles km. 28 Tamos, Panuco, Vert. CP 92018 Mexico Mexico 52-1 210 27 62		✓			IG	67.25%
Norway						
ERAMET Norway A/S P.O. Box 82 - N-3901 Porsgrunn Norway 47 35 56 18 00		✓			IG	100.00%
Eralloys Holding A/S Vollsveien 13H P.O. Box 103 N - 1325 Lysaker Norway 47 67 10 3425		✓			IG	100.00%
Tinfos A/S O. H. Holtas gate 21 - N – 3678 Notodden Norway 47 53 65 25 00		✓			Equity method	33.35%
Tinfos Energi A/S Oyesletta 61 P.O. Box 246 N – 4491 Kvinesdal Norway 47 38 35 72 00		✓			IG	100.00%
DNN Industrier A/S GI Oddavei 6 N – 5770 Tyssedal Postal C/O Tinfos A/S O. H. Holtas gate 21 - N – 3678 Notodden Norway 47 53 65 25 00		✓			IG	100.00%
ERAMET Titan A/S GI Oddavei 6 N – 5770 Tyssedal Norway 47 53 65 25 00		✓			IG	100.00%
ERAMET Titanium & Iron A/S GI Oddavei 6 N – 5770 Tyssedal Norway 47 53 65 25 00		✓			IG	100.00%
ERAMET Norway Kvinesdal A/S Oyesletta 61 P.O. Box 246 N – 4491 Kvinesdal Norway 47 38 35 72 00		✓			IG	100.00%

	Nickel	Manganese	Alloys	Holding company	Consolidation methods	Percentage Interest
New Caledonia						
Cominc BP E5 98848 Nouméa Cedex New Caledonia 687-24 55 55	✓				IG	56.00%
Société Le Nickel – SLN BP E5 98848 Nouméa Cedex New Caledonia 687-24 55 55	✓				IG	56.00%
Poum SAS 98848 Nouméa Cedex New Caledonia 687-24 55 55	✓				IG	56.00%
The Netherlands						
Miner Holding BV Rokin 55 Amsterdam The Netherlands		✓			IG	67.25%
United Kingdom						
Erasteel Stubs Ltd. Causeway Avenue WA4 6QB Warrington, United Kingdom 44 (0) 1925 41 3870			✓		IG	100.00%
Singapore						
Strand Minerals Pte Ltd. (Nickel) 1 TEMASEK Avenue #27-01 Millenia Singapore Singapore 039192 Singapore	✓				IG	66.66%
Sweden						
Erasteel Kloster AB Box 100 815 82 Söderfors Sweden 46 (0) 293 17 000			✓		IG	100.00%
Switzerland						
Comilog Lausanne Avenue C.F. Ramuz 43 1009 Pully Switzerland 41 21 - 729 45 03		✓			IG	67.25%
Unimim AG Industriestrasse 47 6304 Zug Switzerland	✓				IG	100.00%

Design & production: SEQUOIA FRANKLIN

Photo credit: Getty Images

Printing: IME – 3, rue de l'Industrie – BP 32017 – 25110 Baume-les-Dames, certified ISO 14001.
Printed without alcohol, using plant-based inks on paper from sustainably managed forests.

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ALLOYS, ORES AND PEOPLE.

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