

ANNUAL REPORT
2010

Alloys, ores and people



ERAMET
ALLOYS, ORES AND PEOPLE.



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A GLOBAL GROUP WITH 3 OPERATING DIVISIONS



52% of turnover

MANGANESE

ERAMET mines manganese in Moanda, Gabon through its subsidiary COMILOG and converts it in its metallurgical and chemical plants in China, Europe and the United States. It has the broadest range of manganese alloys on the market.

ERAMET Manganese also makes chemical derivatives for the energy (batteries), agriculture (fertiliser), electronics (high-tech components) and fine chemistry (metal surface treatment, catalysis, etc.) sectors. The ramp-up of its recycling activities (through the companies GCMC in the USA and Valdi in France) contributes to the French and European supply of "rare" metals (molybdenum, vanadium, titanium, etc.).

Positions

- World #2 producer of high grade manganese ore
- World #1 producer of refined manganese alloys
- World #1 producer of manganese chemical derivatives
- World leader in oil catalyst recycling
- European leader in battery recycling



27% of turnover

NICKEL

ERAMET mines nickel from five sites in New Caledonia through its subsidiary Le Nickel-SLN. It is one of the world's largest producers of ferronickel. This alloy is mainly used to make stainless steel, which has a great number of applications in our daily lives. Its Sandouville, France refinery produces high-purity nickel in metal form for superalloys used in aircraft manufacturing (engines, structures) and power generation (turbines), nickel chloride used to make refinery catalysts and as a stain in the ceramics industry, and cobalt chloride for the tyre and chemical sectors. ERAMET's French subsidiary Eurotungstène, the global technological leader in binders for diamond tools, makes tungsten and extra-fine cobalt powders.

Positions

- World #2 producer of ferronickel
- One of the world's three producers of high-purity nickel
- World #1 producer of nickel chloride
- World #6 producer of nickel



21% of turnover

ALLOYS

ERAMET's Alloys subsidiaries (Aubert & Duval, Erasteel) serve markets that call for high value-added metallurgical expertise to meet customers' increasingly stringent requirements. The Alloys division produces special steels and superalloys. It makes forged parts, including closed die-forged parts, for the aerospace and energy markets in particular. To bolster its leadership, it also processes titanium, aluminium and aluminium-lithium alloys with low density yet excellent mechanical properties. ERAMET Alloys is currently developing its activities in powder metallurgy.

Positions

- World #2 producer of closed die-forged parts for aerospace and energy
- World #1 producer of high speed steels for the tooling sector
- A leading world producer of high-performance special steels

€3.6 billion
turnover in 2010

15,000
employees
worldwide

43 industrial
sites

Markets

ERAMET is one of the world's biggest producers of:

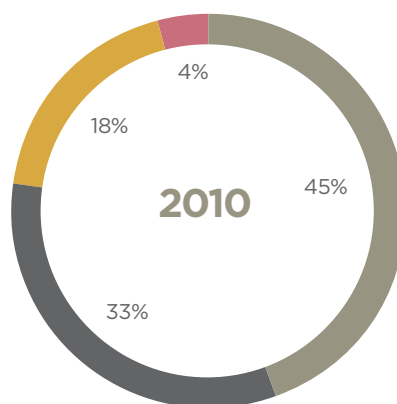
- **alloying metals** – nickel and manganese – needed to improve the properties of steel,
- **superalloys and high-performance steels** for demanding markets like aerospace, energy and tooling, as well as transport, medicine, mechanical construction and chemicals.

The Group is also developing in strategic metals such as lithium, niobium, vanadium and rare earths that are crucial to the growth of electronics (mobile phones, computers, etc.) and clean energy (electric cars).

Key figures

- **15,000 employees** in 20 countries on 5 continents
- **43 industrial sites**
- Turnover: **€3.6 billion**
- **2/3 of sales outlets** in the steel industry

TURNOVER
BY GEOGRAPHIC
ZONE



Europe	45%
Asia	33%
North America	18%
Other	4%

Strategy

The crisis didn't spare ERAMET but the measures it took without delay made a swift recovery possible.

To take advantage of the economic upturn and address the global issues on its markets, the Group has defined an ambitious strategic project. Firmly committed to sustainable development, ERAMET aims to extend its world leadership in each of its specialties (alloying metals and selected strategic metals, e.g. lithium, titanium, niobium, rare earths), strengthen its uprange metallurgical activities, step up its presence in emerging countries and continue its development in metal waste recycling.

AT THE HEART OF INDUSTRIAL ISSUES

Non-ferrous metal **consumption** has **grown** steadily for ten years. The trend is likely to continue in the coming years. What is driving the boom in **global demand**? Steels, enriched with manganese and nickel in particular, are needed for urbanisation and industrialisation in emerging countries, especially China, which makes 44% of the world's steel. As for titanium, vanadium, molybdenum, niobium, tantalum, lithium and rare earths, for example, they are crucial components in the **technological innovation** essential to developed countries' competitiveness. The overriding issue for a player in this sector is to make sure it has the **capabilities** and skills to meet the needs of developed and emerging countries alike. ERAMET is one of the world **leaders** in alloying metals and upscale metallurgy that are able to rise to that challenge.



ERAMET's integrated model creates value. Its recovery and good results in 2010 are tangible evidence of this.

In 2010, ERAMET strengthened its positions and continued diversifying its activities

In 2011, ERAMET is planning for another year of growth on its markets, chiefly thanks to emerging countries. Its major goals remain completing its development projects and continuing its productivity programmes.

ERAMET recovered spectacularly in 2010 after a crisis-hit 2009. Your turnover grew 33%. What were the main lines of your management?

The Group's responsiveness was a major advantage. We adapted our production to customers' needs while tightly controlling our cash. We achieved €173 million in lasting savings in two years and undertook cost structure reduction programmes on several sites, including Société Le Nickel (SLN) in New Caledonia and Erasteel. Our continuous improvement programme Leaders is being systematically rolled out across the Group, as are the Lean Management programmes first implemented at ERAMET Alloys. We have also kept up major development projects while stepping up our research & development expenditure.

What's the ERAMET Group's real exposure to emerging countries? How do you approach those markets and are you in good positions?

ERAMET benefits in two ways from emerging countries' growth: on one hand through price rises for our metals and on the other through sales growth. We are very well positioned thanks to the quality of our deposits and our technological know-how. Moreover, China's subsoil does not contain enough manganese and nickel. Our sales network ERAMET International is a key advantage for the Group's development in emerging countries, where we are also making selective investments. In China we now have five industrial sites.

How do you see your environment evolving this year and what are your main goals for 2011?

We expect another year of growth for our markets, mainly due to emerging countries. Our main goals for 2011 remain the completion of our development projects and the continuation of our productivity programmes.

In France 2011 will see the start-up

PATRICK BUFFET
Chairman and Chief Executive Officer, ERAMET

“ERAMET's strength is its specialisation in alloying metals and upscale metallurgy with strategic applications, plus its high growth driven by emerging markets.”

of strategic new facilities for ERAMET Alloys in titanium, superalloys and aluminium-lithium, chiefly for the French and European aerospace sector. In China we are bringing New Guilin, our refined manganese alloys plant, on stream. 2011 will also be an important year for the continued modernisation of our long-term partnerships with New Caledonia and Gabon, after the very positive progress made together in 2010.

You've announced several measures on governance and a new sustainable development policy. What does that mean in practical terms?

We did strengthen our sustainable development policy in 2010. On safety, we recorded a further decrease in the accident rate on our sites, thanks to constant efforts. In Indonesia, the quality of our preparatory work for the Weda Bay Nickel project on environmental and social matters, in line with the Equator principles, was acknowledged by MIGA, an organisation connected to the World Bank that granted us coverage of selected risks. The modernised governance of SLN in New Caledonia, decided in 2009 with our New Caledonia and Japanese partners, involves them more closely in the company's strategy and management control. The same is true at COMILOG with our Gabonese partners. These are just a few examples of our determination to factor sustainable development into every activity and every project.



What is your long-term vision for the ERAMET Group? Do you have a development model?

With the implementation of its strategic model, the ERAMET Group will be both strengthened in its historical bases, particularly New Caledonia and Gabon, and transformed by new, matching metals, new countries and new technologies, as well as in recycling. Finally, selective acquisitions will enable us to speed up our development. We have the financial resources needed to carry out this ambitious project that aims for a significant change in scale and will benefit all our stakeholders.

Two major transformative projects with substantial technological content should play an important role in our development. The first is Weda Bay Nickel in Indonesia. The second is the beneficiation of the Mabounié deposit in Gabon, also thanks to a new hydrometallurgical process. The development of Mabounié, if all the conditions are met, would make the ERAMET Group and its subsidiary COMILOG a world leader in **niobium, tantalum and rare earths**. We are very satisfied with current progress in developing a suitable process. The results should be borne out by more detailed technical and economic studies. **Our specialised, integrated model and our skills across the entire value chain** make development easier in metals with high growth potential, for example in lithium (to power future electric and hybrid vehicles) in partnership with the Bolloré Group and in other metals viewed as strategic by the European Union and France.



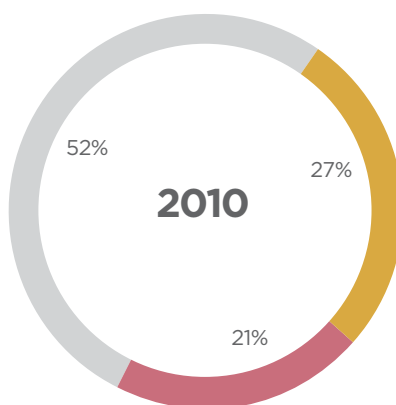
Using alloying metals improves the lifespan and quality of steels, in line with the demands of sustainable development. That's why ERAMET's businesses are part of a structurally positive trend.

2010 results

Sharp growth across all divisions

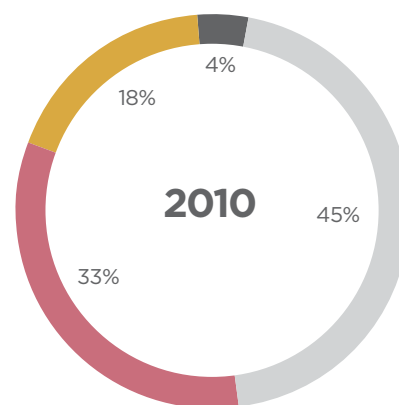
The Group's current operating income grew sharply in 2010 to €739 million, following a year that was hit by the global crisis. This improvement particularly reflects a substantial rise in sales prices, the upturn in volumes and continued productivity efforts.

TURNOVER
BY DIVISION

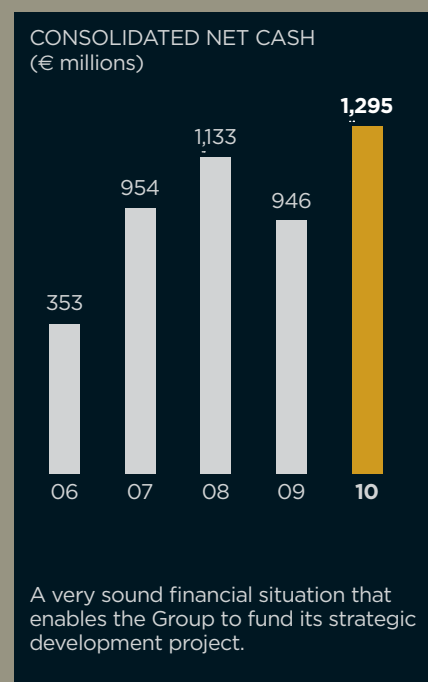
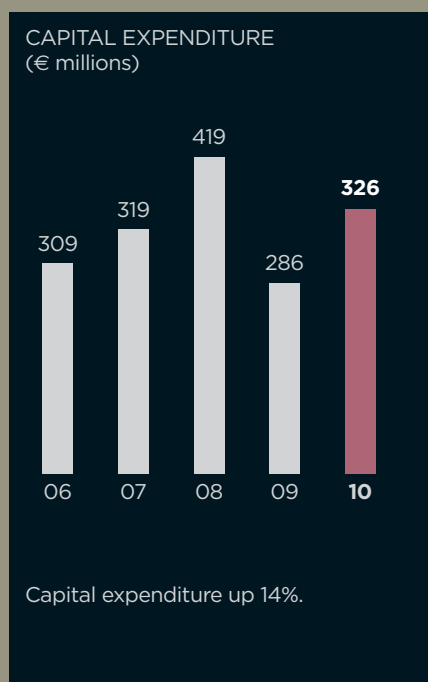
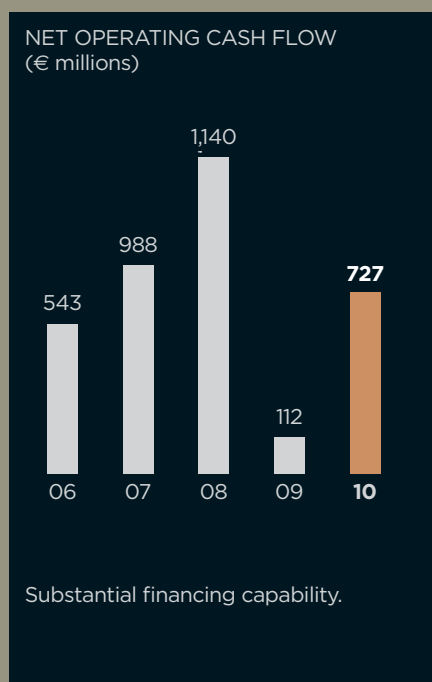
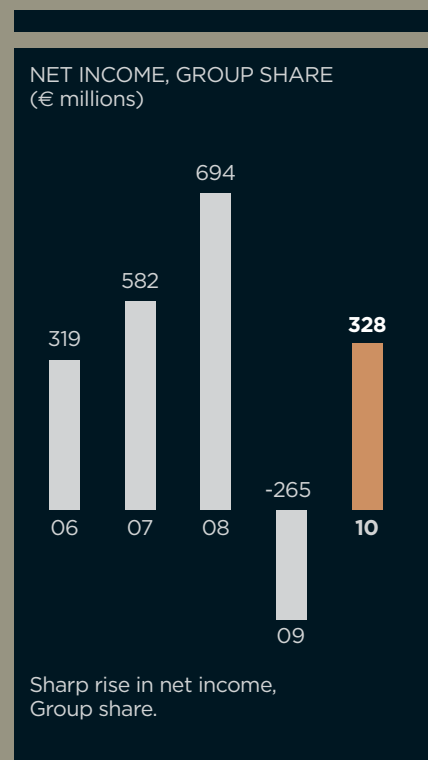
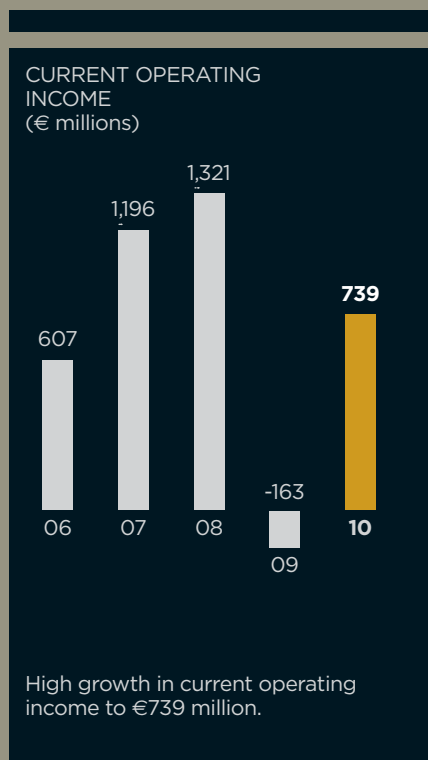
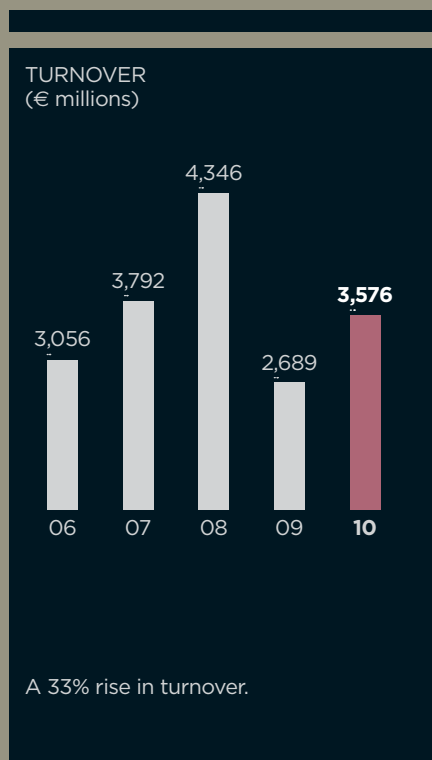


	Turnover	Change vs. 2009
Manganese	€1,858 M	+44%
Nickel	€965 M	+47%
Alloys	€764 M	+2%

TURNOVER
BY GEOGRAPHIC ZONE



Europe	45%
Asia	33%
North America	18%
Other	4%



Management team/ Lightweight, dynamic management structures

The ERAMET Group's organisation meets two main requirements: efficiency and responsiveness in coping with increasingly fluctuating markets.

ERAMET's Board of Directors has a conventional management framework with a Chairman and Chief Executive Officer tasked with the Group's executive management and its chairmanship. Under the Board's statutes, *"no decision with respect to the company's major strategic, economic, financial or technological orientations may be made without the Board of Directors discussing the matter beforehand."*

The Executive Committee sets changes in motion and oversees business

The Executive Committee (Comex), the Group's main decision centre, is chaired by Patrick Buffet. It is comprised of the head of the three Divisions, (ERAMET Nickel, ERAMET Manganese and ERAMET Alloys), who are also Delegate CEOs, the Chief Financial Officer, the Executive Vice President Human Resources, Health & Safety and the Executive Vice President Communications and Sustainable Development.



This lightweight structure, given ERAMET's leadership in its sector of business, is an undisputable advantage in terms of flexible, efficient and responsive activity management. The Comex has a dual function: it sets changes in motion by providing employees, partners and stakeholders with clear information on its strategic choices and oversees the business of the Group and its main subsidiaries. The Executive Committee meets every two weeks.



**Patrick Buffet, Chairman & CEO,
ERAMET (1)**

"The ERAMET Group is focused on the future and has all the financial and technological means needed to develop. Its strategic project will be reflected in faster growth in the years ahead and substantial value creation, benefiting its stakeholders in general and local, long-term partners in particular."

**Georges Duval, Vice-Chairman,
Delegate CEO, ERAMET Alloys (2)**

"The various actions carried out to address the crisis and improve our competitiveness came to fruition in 2010. The Division resumed its growth and won major orders in its key markets of aerospace, energy, industrial tools and nuclear power. Under the new corporate project "AD 2015", we'll continue implementing our technological expertise strategy to establish ourselves as the innovative, agile and responsible benchmark in metallurgy."

**Philippe Vecten, Delegate CEO,
ERAMET Manganese (3)**

"In recent years, the economic, commercial and competitive environment on our markets has been transformed. To meet our customers' needs, we have to continue developing our capacities while constantly improving our performance on safety, the environment, costs and quality."

**Bertrand Madelin, Delegate CEO,
ERAMET Nickel (4)**

"To keep up our market leadership, we must continue the programmes for reducing costs over the long term and improving competitiveness, which we rolled out as soon as the first signs of the global crisis appeared. In 2010, they proved both their importance and their relevance. Thanks to everyone's efforts and the Group's great responsiveness, our high-performance product offering enabled us to cope with more intense competition. Let's stay mobilised in the short term, while executing the major industrial projects that carry our future growth."

**Catherine Tissot-Colle, Executive
Vice President, Communications
and Sustainable development (5)**

"With the adoption of the Code of Ethics and sustainable development policy in January 2010, the Executive Committee and the Board of Directors enabled ERAMET to reach a new milestone. Ambitious but realistic guidelines were formalised under a value-creating continuous improvement rationale. For 2011, I hope the entire Group will confirm its commitment to good corporate citizenship. Because it's a fast-moving world and relations are increasingly complex."

**Michel Carnec, Executive Vice President,
Human Resources, Health & Safety (6)**

"The Group's diversity and talents are great assets. Its ambition is for everyone to fulfil him or herself to contribute to ERAMET's growth. The new human resources strategy adopted in December 2010 sets the framework and tools so that, wherever we are active, employees' skills and know-how are recognised, enhanced and rewarded."

**Jean-Didier Dujardin, Chief Financial
Officer (7)**

"We built up substantial operating cash flows in 2010, which enabled us to conduct major capital expenditure and "transformative" projects, while improving our cash."



GOVERNANCE
AS ON DECEMBER 31st, 2010

Executive Committee

Patrick Buffet, Chairman & CEO,
ERAMET and Société Le Nickel-SLN

Georges Duval, Vice-Chairman,
Delegate CEO, ERAMET Alloys


Bertrand Madelin, Delegate CEO,
ERAMET Nickel

Philippe Vecten, Delegate CEO,
ERAMET Manganese

Jean-Didier Dujardin, Chief Financial
Officer

Catherine Tissot-Colle, Executive
Vice President, Communications
and Sustainable development

Michel Carnec, Executive
Vice President, Human Resources,
Health & Safety



METALS AND ALLOYS
Why are metals
and alloys now
so strategic?



Ten years ago China accounted for around 15% of global steel production and consumption, compared with 44% in 2010.

METALS, A STRATEGIC SECTOR



What do a jet engine part and a euro coin, a stainless steel kitchen worktop and a medical prosthesis all have in common? Metals. They're everywhere but invisible, at least to the naked eye. Recognition doesn't matter as they've made themselves indispensable in a great number of activities. In steelmaking, aerospace, energy, transport, high-tech and chemistry, non-ferrous metals such as manganese and nickel, vanadium or molybdenum play a crucial role. Will these raw materials be the grey gold of the 21st century? At the heart of strategic and geopolitical issues, they embody today's changing world. To meet the challenges of their supply and conversion, the mining and metallurgical sectors need groups with global presence, the ability to mine ores and turn them into high value-added products that meet the needs of demanding customers, while controlling their environmental impact and the risks inherent in their activities. Contributing to the development of local know-how and thanks to a vibrant innovation process, the ERAMET Group strives to meet all these criteria. Here's why and how it does that.

INTERVIEW WITH MARCEL GENET

METALS: THE NEW GEOPOLITICAL ISSUES

Marcel Genet, founder of Laplace Conseil*, sets out the strategic issues on this highly sought-after market.

What events have marked the past ten years in mining and metallurgy?

Marcel Genet: The first, and by the far most important fact is the exponential growth of China as a major player on the metals market, particularly through its production and consumption of steel and alloying metals. The second major phenomenon is the acceleration of trade and globalisation, which is reflected in the interconnection and gradual convergence of economies, production techniques and consumer habits between Western and emerging countries. The Internet and telecoms revolution and the spread of renewable energies, for example, are leading to a sharp increase in demand for noble metals like molybdenum, tantalum, niobium, lithium and rare earths.

Can we conclude that those metals are or will be strategic?

M. G.: Some of those raw materials are only found in a few regions of the world. Moreover, noble metals are becoming more and more essential in cutting-edge industries. These two joint factors give them strategic status, so they could be the focus of geopolitical, industrial and commercial tension in the future. Having said that, although Europe and North America depend on Brazil, China or Africa, those countries need Western technological skills to operate their resources. The interdependence of economies I mentioned earlier feeds the growth of this mutually beneficial trade.

What is your analysis for nickel and manganese, two major alloy metals?

M. G.: With a wider, better distribution in terms of deposits, nickel and manganese are still subject to geopolitical risks. They benefit from constant growth in global demand, chiefly driven by China. This growth requires major capital expenditure in production capacities, leading to sharp price rises and greater volatility.

Which markets are expanding now and in the coming decade?

M. G.: The Chinese economy, of course, which consumes ten times more metal than India, except gold, should keep up its firm growth.



Moreover, recycling activities for all metals, not just scrap iron – a little-known, underappreciated segment – are now a vital function of the metal raw materials economy. This market will keep growing robustly and make substantial energy and resource savings possible.

In conclusion, what profile does a mining and metallurgy operator need to compete in that market environment?

M. G.: Mining and metals now come under a global rationale. Manufacturers should see the big picture of their activity and view the entire world as their market. That outlook calls for multicultural teams, even at the very top, the ability to take action worldwide and a position as a supplier not of commodities but of effective services.

** Operating strategy and management consultancy specialising in the metals and minerals industry.*



The metals market calls for a global development rationale.



ERAMET Nickel/ Improved competitiveness, major development projects

The market for nickel, ERAMET's original activity, went through the upheaval of the crisis. But buoyant Chinese demand filled the order books in 2010. Here are the highlights of a year with a favourable outlook.

Two centenaries for a partnership

In the life of a Group, some anniversaries are especially meaningful. For the Nickel division, 2010 marked the 130th anniversary of Société Le Nickel's (SLN) presence in New Caledonia and the centenary of its Doniambo plant in Nouméa. This was an opportunity to spotlight the quality of the Group's partnership with the forward-looking Territory. *"With the renovation of the entire plant completed in 2010, the fourth generation of industrial facilities is being rolled out. These investments will allow us to reach a new optimal operating output at 65,000 tons, after verifying an intermediate production level of 60,000 tons in 2012,"* comments Nickel division head Bertrand Madelin.



CLOSE-UP

SLN competitiveness improvement plan

SLN undertook a three-year competitiveness improvement plan in November 2009. The aim is to safeguard the long-term development of the Group subsidiary. Carried out in consultation with every stakeholder in the company (employees, unions, management, shareholders), the improvement process concerns SLN in its entirety (production, support services and management, human resources). Also under the plan, SLN is continuing to invest to reduce its environmental impact.

More than satisfactory results in 2010

The stainless steel market, which absorbs around two-thirds of the world's primary nickel, has a great future. The damaging effects of the global crisis barely made a dent in the sector's good health. In 2010, prices bounced back (up 20% at 9.61 USD/lb.) and stainless steel production rose 20% from 2009 to total 1,435 million tons, beating the 2007 record. *"Slack growth in developed countries had little impact on our results. In 2010 the Nickel division's turnover was up 47% from 2009,"* Bertrand Madelin confirms. ERAMET's production in New Caledonia increased (54,500 tons vs. 52,000 in 2009, of which 40,000 tons ferronickel and 14,500 tons matte) with, in parallel, extensive maintenance operations at the plant for €52 million. The tangible improvement in the stainless steel market led the division to focus on its ferronickel production, leading

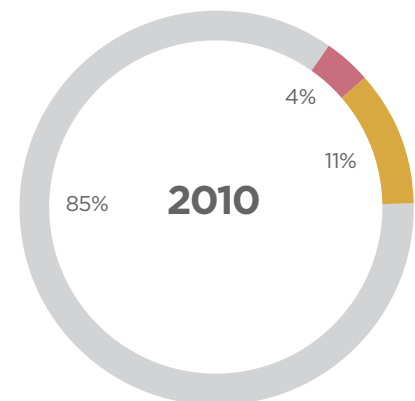
to lower activity at the Sandouville plant (13,800 tonnes) than in 2009. *"We returned to normal levels after an exceptional year in 2009,"* states Bertrand Madelin. At Eurotungstène, the Group's subsidiary specialising in extra-fine cobalt powders and tungsten powders which was badly hit during the crisis, results improved slowly but surely.

Industrial projects to double the Group's output

Meeting current and future needs means extending the Group's mining activities. ERAMET is investing in large-scale industrial projects that could eventually more than double its nickel production. One such development is at Weda Bay, Indonesia. Centred on the operation of a world-class deposit and a hydrometallurgical plant, the project has been designed from the outset to the highest global standards on the various aspects of sustainable development. That's why ERAMET and its partners (Mitsubishi Corporation and PT Antam) asked the Multilateral Investment Guarantee Agency (MIGA), a specialised World Bank agency, to audit its technical, environmental and social quality.

Following that long, stringent examination process, the organisation decided in July 2010 to grant a guarantee for the first project phase. The Group's new hydrometallurgical process could be rolled out on an industrial scale there if the Group makes the final decision to invest in late 2012. ERAMET also hopes to develop the technique in New Caledonia to process the laterite and low-grade garnierite deposits which form a major nickel resource of oxide nickel ores. In the 2030-2035 timeframe, these could take over from the deposits currently mined by SLN.

TURNOVER BY MARKET



€965 M
2010 turnover

ERAMET Manganese/ Strong recovery, major projects in progress

IMPACTED BY THE CRISIS FROM AUTUMN 2008, THE MANGANESE MARKET GRADUALLY RETURNED TO GROWTH IN THE SECOND HALF OF 2009. A NEW PHENOMENON IS THAT THE SALES UPTURN IS NEITHER LINEAR NOR HOMOGENOUS. ERAMET'S STRATEGY IS EXPLAINED BELOW.

Growing but extremely uneven demand

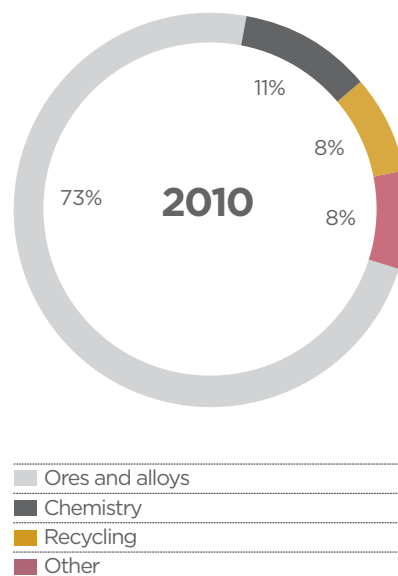
The powerful force of attraction from Chinese steel production benefits manganese, an alloy metal that improves its mechanical properties. In 2010, China produced more than 627 million tons of steel, a record amount. The appetite of India, Brazil and emerging countries for manganese is also growing, albeit not as sharply. However, this positive macroeconomic overview conceals great disparities in global steel production trends.

The change in output from August 2008 to August 2010 (a crucial period from the start of the crisis to the turnaround) was around +20% for China but -8% for Taiwan, -15% for Japan, -21% for the United States and -23% for Europe. *"The sharp ups and downs in demand, especially since last year, are a new market parameter,"* states Philippe Vecten, head of ERAMET's Manganese division.

Rationalising and investing - a winning formula

The measures taken on every site from 2009 and kept up last year enabled the Division to emerge from that extremely turbulent period relatively unscathed. This is shown in its 54% rise in turnover in 2010 compared with 2009. Costs were reduced and production and sales & marketing teams cooperated to adjust production quantity and quality to demand. New products were developed such as high-purity manganese sulphate in the Tertre, Belgium plant for lithium batteries, electrolytic manganese dioxide in the Chongzuo plant for Chinese battery manufacturers. *"The various rationalisation and performance improvement plans came to fruition. Our competitiveness is improving and we are ready to respond to demand growth,"* Philippe Vecten comments.

TURNOVER BY MARKET



€1,858 M
2010 turnover

SAFETY
IMPROVEMENT
EFFORTS AT
COMILOG CAME TO
FRUITION IN 2010.



The sales upturn, combined with price rises for manganese ore and alloys enabled the Division to resume major capital projects. Work at the New Guilin, China plant continued, with commissioning planned for late 2011. Its production of refined ferromanganese for flat products on higher-performance, more energy-efficient electric furnaces will serve fast-growing Chinese demand, while maintaining market shares in commodities.

"In Gabon, we increased output at COMILOG and completed on schedule the next stages in the construction of two plants, one for silicomanganese and one for metal manganese in Moanda," Philippe Vecten explains.

At the same time, restoration work on the Moulili river began. At Setrag, which runs the Transgabonais railway, six new locomotives were ordered. Another large-scale project in Gabon, to be decided by ERAMET and COMILOG upon completion of the ongoing studies, is the operation of the Mabounié deposit containing

rare earths, niobium, tantalum and uranium. A suitable process is being developed. Results are to be confirmed by more in-depth technical-economic studies (see p. 35).

CLOSE-UP

ERAMET continues recycling development

With the acquisition in early 2010 of the French company Valdi, the European leader in metal recovery from used batteries, which supplies ferroalloys and zinc oxides, ERAMET bolstered its positions in metal waste recycling. The aim is to achieve leadership in this promising growth sector. With the arrival of Valdi, the Group has access to a technically proven European platform. The facility is also a good fit with the Gulf Chemical & Metallurgical Corp (GCMC) platform in the USA, which recycles oil refining catalysts to obtain molybdenum, vanadium, cobalt and nickel.

ERAMET Alloys/Renewed appetite for victory

In 2010, business recovered gradually after a tough 2009. Rather than congratulating itself, the Division knuckled down month after month to boost its productivity and streamline its organisation, as explained below.

The benchmark in innovative, responsible metallurgy

2010 will remain a decisive year in the Division's history. After the poor economic climate in 2009 that led to a 32% fall in sales, the Division showed its fighting spirit. It rationalised every aspect that needed it, enhanced its technological capabilities and recorded significant successes. It also confirmed its development in the fast-growing titanium sector. These unmistakable signals told the market that ERAMET Alloys is a front-rank player with a clear ambition for further progress. *"By 2015 we want to be the innovative, agile and responsible benchmark in metallurgy. If customers have a need or a problem, we want to be their go-to supplier for a relevant, effective solution. In 2010 we geared up to achieve that goal and benefit from the economic upturn,"* states Division head Georges Duval.

Simplified organisation serving a new management momentum

The plan undertaken by Erasteel to cope with the heavy slump on the high-speed steel market and the relocation of several customers to Asia resulted in an agreement with trade unions in 2010.

A major corporate project, AD 2015, was defined at Aubert & Duval.

The main theme of this management process, the first with such a scale and ambition, is making everything simpler so 100% of energy can be focused on customers. *"This will to put customers at the centre of all our actions mirrors our determination to satisfy their strict demands in terms of the best price combined with flawless performance.*

That's why every site is concerned by this corporate project founded on the Group's Leaders programme (see p. 41). Its aim is to simplify our organisation to foster a new work momentum and the pooling of skills. For example, each market is organised as a platform that brings all the teams together in a single location." The target for 2012 is 95% on-time deliveries and a non-quality rate close to 1%.

CLOSE-UP

Capacity ramp-up for titanium partnership

Under the partnership signed with the Kazakh group UKTMP to create an integrated titanium stream, the first stone for the brand new forging and finishing unit was laid in April 2010. Investments total €47 million for 7,000 m² of state-of-the-art facilities and 60 new jobs. The metallurgical complex, built in Auvergne (France), will process titanium ingots for aerospace (the A350 and A380 programmes consume 20 times less than the previous generation), but also for the medical sector. Commissioning is scheduled for September 2011.

AERIAL VIEW
OF THE UKAD
CONSTRUCTION SITE
AT SAINT-GEORGES
DE MONS (FRANCE).



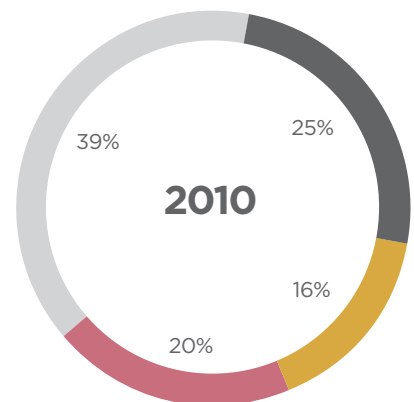
A bright outlook for orders

2010 was a good vintage in terms of market success although, unlike the Manganese and Nickel Divisions, business did not regain its pre-crisis levels. However, the sales achievements, some of which were unprecedented in the aircraft manufacturing sector, attest to the Division's competitiveness (despite negotiations being conducted in dollars), the quality of its industrial infrastructure and its ability to produce extremely reliable parts for high-tech applications. They also reflect ERAMET Alloys' strategy on its key markets.

In quadrupling the amount of its contract with Boeing for the 777, 747-8 and 787 programmes, Aubert & Duval reached a milestone and enhanced its credibility in a highly competitive sector. The first titanium parts for the Airbus A350 landing gear were delivered. Around 40 engine disks for the A350, Boeing 787 and its freight variant are being developed. This upturn in the aerospace market, embodied in the major orders taken at Farnborough, UK air show in July 2010, offset the slump in

demand in the first half. However, the successive postponements of the Boeing 787, Airbus A350 and Airbus A400M programmes are holding up the return to growth. In the nuclear sector, Aubert & Duval took the first Chinese orders for anti-vibration bars for the AP 1000 (the rival plant model to Areva's EPR) for delivery in early 2011. In France, Valinox, Aubert & Duval's historical customer, renewed its annual contract in late 2010 (see also testimonial p. 39).

TURNOVER
BY MARKET



- Aircraft manufacturing, space and defence
- Cutting tools, tooling
- Power generation
- Specialties and other (medical, transport, construction, mechanics, etc.)

€764M
2010 turnover

BASES

PRESENCE ON EVERY GROWING MARKET

Service centre
acquired

by
ERASTEEL

In Romeoville,
near Chicago,
the cutting and
storage unit will
support sales growth
in high speed steels
and metallurgical
powders in
North America.

North America

5% of the Group's
workforce
18% of turnover

ERAMET International

**A commercial force
on every continent:**

11 offices, 76 people
in charge of negotiations
for the Group's three
divisions.

Key

- Nickel site
- ▲ Manganese site
- Alloys site
- * Group: Paris HQ /
ERAMET Research and
ERAMET Ingénierie
in Trappes
- ◎ ERAMET International

UNITED STATES

- ▲ Erachem COMILOG
Baltimore (manganese
chemistry)
- ▲ BMC **Butler**
(ferromolybdenum and
ferrovanadium)
- ▲ GCMC **Freeport** (oil
catalyst recycling)
- ▲ ERAMET **Marietta**
(manganese alloys)
- ▲ Erachem COMILOG
New Johnsonville
(manganese chemistry)

- Erasteel **Boonton** (high
speed steels)
- Erasteel **Romeoville**
(service centre)

CANADA

- ▲ GCMC **Fort
Saskatchewan, Alberta**
(oil catalyst recycling)

MEXICO

- ▲ Erachem Mexico
Tampico (manganese
chemistry)

GABON

COMILOG:

- ▲ **Moanda mine and
sintering plant**
- ▲ **Owendo** logistics
centre

Setrag:

- ▲ Transgabonais railway
concession

April 16th, 2010

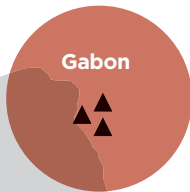
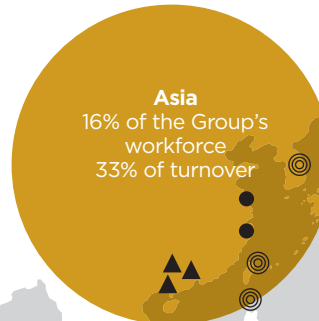
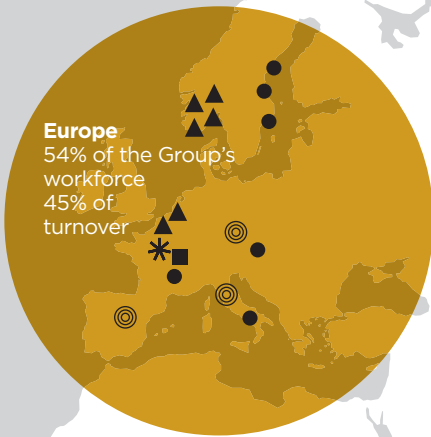
First stone laid at the UKAD plant in Auvergne (France).
The facility will make titanium in autumn 2011 and create 60 local jobs.

PEARL

The new R&D centre in Söderfors, Sweden, is dedicated to powder metallurgy.

120,000 tons of manganese per year

to be delivered under the contract signed in July 2010 by COMILOG and Sinosteel (China).



130th anniversary
celebrated by SLN in New Caledonia.

Two agreements signed in January 2010

by ERAMET and the Gabonese state authorising, on one hand, the construction and operation of the future Moanda Metallurgical Complex and, on the other hand, electricity supply from the Grand Poubara dam (construction of which is funded and supervised by Gabon).

900 M€

invested in SLN in the past 10 years: a modernised company.

FRANCE

- ▲ COMILOG **Dunkerque** (manganese alloys)
- ▲ Valdi **Le Palais** plant (catalyst recycling)
- ▲ Valdi **Feurs** plant (battery recycling)
- **Grenoble** Eurotungstène plant (metal powders: cobalt, pre-alloys, tungsten, etc.)
- ERAMET **Sandouville** plant (high purity nickel, cobalt)
- Erasteel **Champagnole** (high speed steels)
- Erasteel **Commentry** (high speed steels)
- Aubert & Duval plants (closed die forging, long products, tooling, single parts):
 - **Firminy**
 - **Gennevilliers**
 - **Imphy**
 - **Issoire/Interforge**
 - **Les Ancizes**
 - **Pamiers/Airforge**
- Aubert & Duval **Heyrieux** distribution centre (special steels)

BELGIUM

- ▲ Erachem COMILOG **Tertre** (manganese chemistry, copper solution recycling)

GERMANY

- Aubert & Duval **Stahlschmidt** (distribution centre)

ITALY

- Aubert & Duval **Ades** (distribution centre)

UNITED KINGDOM

- Erasteel **Stubs Warrington** (high speed steels)

SWEDEN

- 3 Erasteel plants:
 - **Långshyttan**
 - **Söderfors**
 - **Vikmanshyttan**

NORWAY

- ▲ 3 ERAMET Norway plants (manganese alloys):
 - **Porsgrunn**
 - **Sauda**
 - **Kvinesdal**
- ▲ ETI **Tyssedal** (titanium dioxide)

CHINA

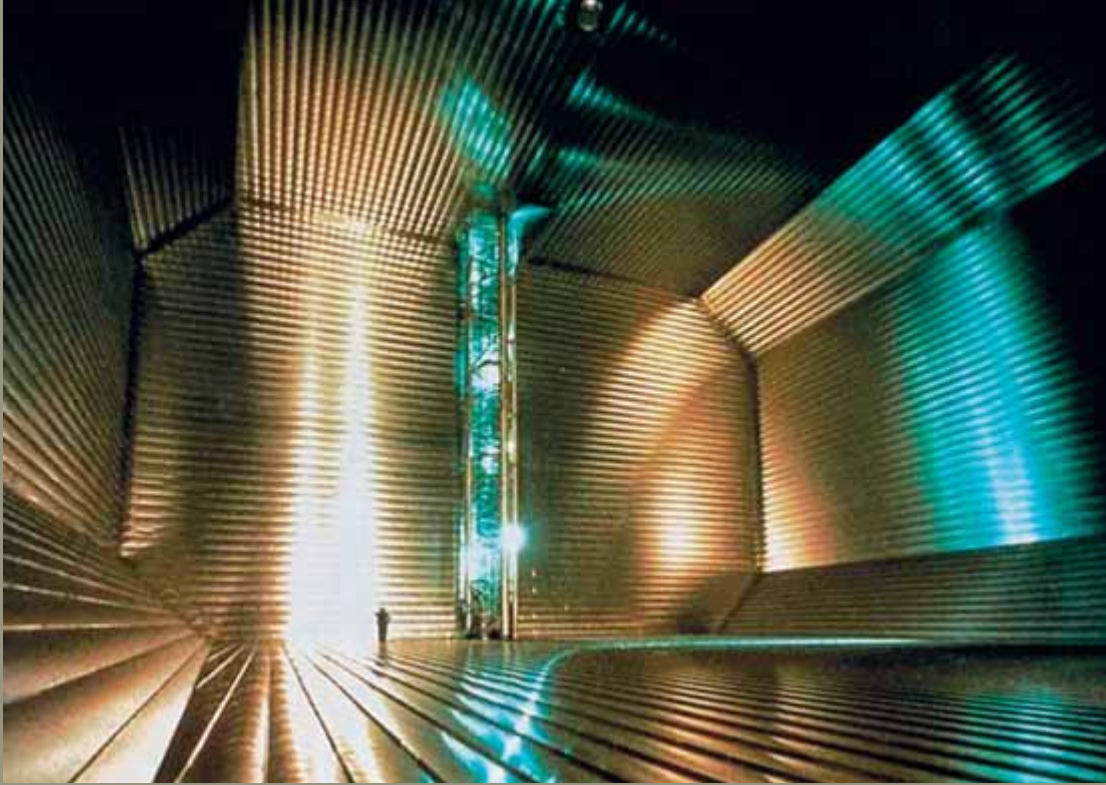
- Aubert & Duval **Wuxi** (distribution centre)
- Erasteel **Tianjin** (high speed steels)
- ▲ COMILOG **Guilin** (manganese alloys)
- ▲ COMILOG **Laibin** (manganese alloys)
- ▲ GECC **Chongzuo** (manganese chemistry)

INDONESIA

- **PT Weda Bay Nickel** Halmahera island (nickel deposit)

NEW CALEDONIA

- Société Le Nickel-SLN
- 5 mines:
 - **Kouaoua**
 - **Népoui**
 - **Poum**
 - **Thio**
 - **Tiébaghi**
- **Doniambo metallurgical plant** (ferronickel and nickel matte)



60% OF NICKEL PRODUCED IS USED TO MAKE STAINLESS STEEL WITH GREAT STRENGTH AND RESISTANCE TO CORROSION AND HIGH TEMPERATURES.

AT THE HEART OF MATERIALS

RELIABLE, INNOVATIVE MATERIALS

Manganese, an extremely versatile metal

Almost 90% of manganese production is intended for the production of carbon steel (in proportions ranging from 0.05% to 2%), which it makes harder and more elastic, wear-resistant and weldable. The main applications are in building and structure construction and automotive bodywork. More marginally in volume terms, the chemical industry also uses manganese for a wide variety of applications (batteries, fertiliser, animal feed, electronic components, etc.).

The ore mined from its Gabonese deposit, with 45% average manganese content, is one of the world's richest.

Nickel, a modern essential

Nickel is a metal with many properties and is endlessly recyclable. It improves stainless steel's corrosion, high temperature and electrical resistance, ductility (ease of processing) and mechanical strength. It also has magnetic and electrochemical properties. Another advantage is that nickel extends the lifespan of the components containing it. Its end

uses are extremely diverse and concern every sector of modern life:

- food safety, hygiene, construction, transport, petrochemicals for stainless steel
- aerospace (engines), power (turbines), coinage, galvanoplasty (coating with pure metal) and environmental protection facilities for nickel alloys.



LITHIUM BATTERIES POWER GROUNDBREAKING ELECTRIC VEHICLES LIKE THE BOLLORÉ BLUE CAR.



MANY BUILDINGS HAVE STAINLESS STEEL COMPONENTS THAT ALSO ADD VISUAL APPEAL.

AEROSPACE IS A MAJOR MARKET FOR AUBERT & DUVAL.

Reliability, the keyword for alloys

High speed steels, special steels, tooling steels and superalloys calling for technological skills and great control of production quality to meet the specifications of strategic sectors such as aerospace and energy. These alloys contain various metals according to the required characteristics such as nickel, tungsten, cobalt, chrome, molybdenum, vanadium and niobium.

After processing the materials are more resistant to wear, corrosion, and repeated stress. Some of them have greater mechanical resistance

to high temperatures. Selling at lower volumes yet much higher prices than carbon steel, these products go largely unnoticed by the general public. Either because they are used in industrial infrastructures (thermal and nuclear plants, satellites, etc.) or because they are a part of larger assemblies (aircraft engines, automotive parts) or specific products (prostheses, clocks, electronics, batteries, etc.).

Outlook/Stronger partnerships with New Caledonia and Gabon

New Caledonia: modernised governance, closer dialogue to prepare for the future.

2010 marked the 130th anniversary of SLN and the centenary of the Doniambo plant.

For 130 years, the Group has applied its technological know-how to the local beneficiation of New Caledonian minerals. Until 2010, SLN was the only industrial operator in New Caledonia.

The Group has invested more than €900 million in 10 years in New Caledonia and has renewed its production facilities. SLN is the biggest private employer with a payroll of around €144 million in 2010. SLN has paid €844 to the Territory in taxes and dividends over the past 10 years.

ERAMET and SLN today have major potential projects for the sustainable development of SLN and New Caledonia, particularly thanks to the hydrometallurgical technology developed by the Group.

The new, modernised governance gave rise in 2010 to in-depth dialogue through the committees recently set up (Audit, Strategic and Compensation committees). In July, ERAMET and STCPI jointly



decided to extend their September 2000 shareholders' agreement so that they could prepare for its long-term renewal by December 31st, 2011.

CLOSE-UP

STCPI

Through **Société Territoriale Calédonienne de Participation Industrielle (STCPI)**, the New Caledonian provinces not only hold a 34% share in SLN but also a 4% stake in the ERAMET Group. STCPI is represented on the Board of Directors of SLN and the ERAMET Group, a groundbreaking, unique arrangement in New Caledonia.

SETRAG,
A COMILOG
SUBSIDIARY,
HAS HELD THE
CONCESSION TO
THE GABONESE
RAILWAY
SINCE 2005.



Gabon: stronger partnership, major industrial developments

The modernised governance set up at COMILOG with specialised committees worked perfectly in 2010. Another highlight of 2010 was the signing of an agreement on the regulatory and tax framework for the future Moanda metallurgical complex in Gabon, planned to come on stream in 2013. This milestone formalises ERAMET's and the Gabonese government's shared will to benefit locally the ore mined by Group subsidiary COMILOG. To achieve this, public authorities will fund the construction of a new hydroelectric dam and the Group will fund two production units (€200 million invested, 400 direct jobs on site) in accordance with ERAMET's best environmental practices (a year's purpose-designed studies carried out in 2010). One plant will produce 65,000 tons of silicomanganese and the other 20,000 tons of manganese metal using two different processes. *"This major industrial project mobilises a crossfunctional team with Chinese, Gabonese and French members. Products from Moanda should open up outlets, in Europe, North America and the Middle East,"* explains Division head Phillippe Vecten. Another sign of deeper relations was

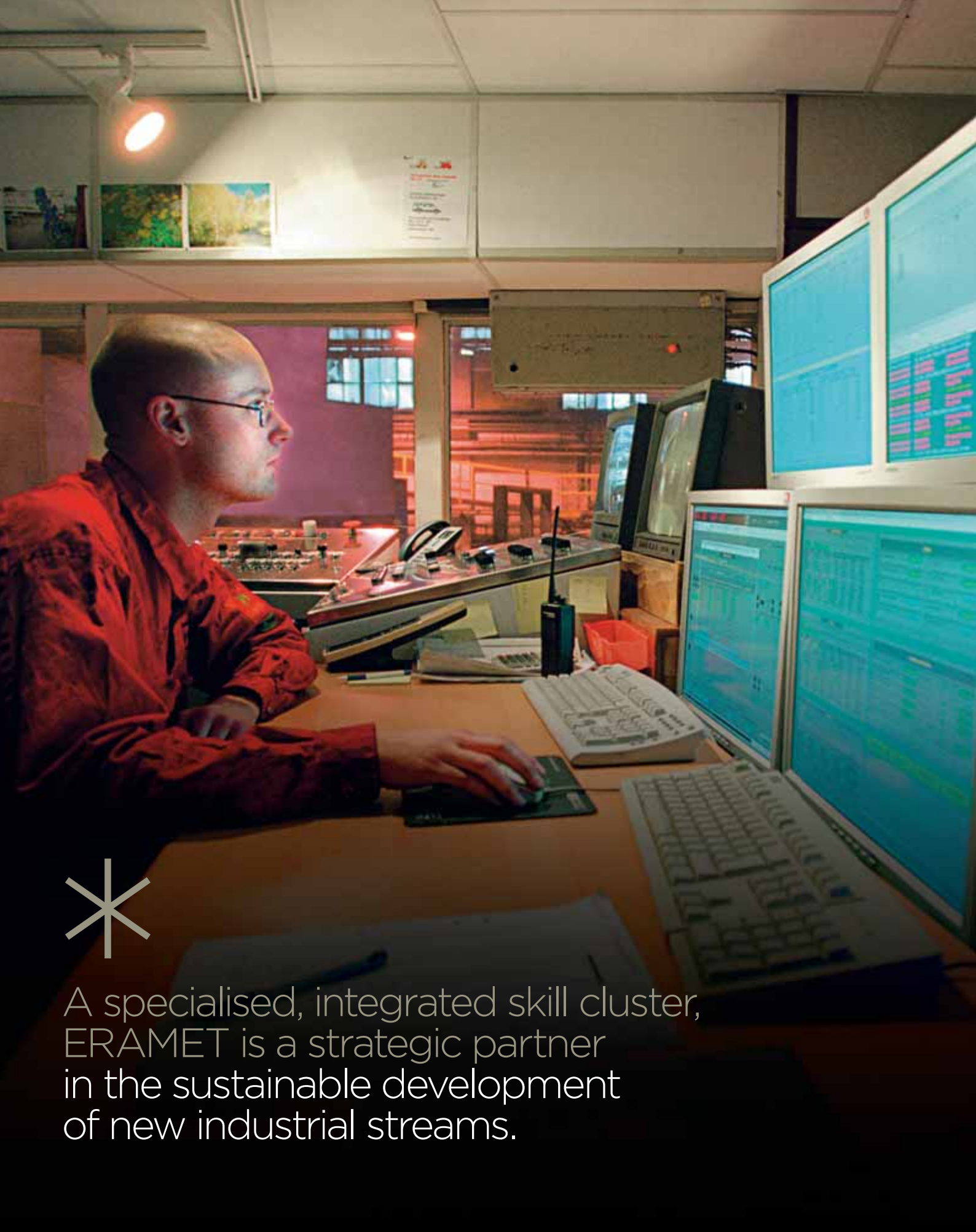
the signing in October 2010 of an agreement for the gradual increase in the Gabonese Republic's capital stake in COMILOG to 35% by 2015. Also in Gabon, ERAMET is looking into the Mabounié project, a great technical challenge as it involves developing a completely new process to operate this complex deposit. Significant progress has been achieved in the laboratory stage. The deposit could eventually enable the ERAMET Group and Gabon, if prior studies are conclusive, to become a front-rank global producer of niobium, rare earths and tantalum, with uranium production in addition.

2 plants


under construction
in Gabon

€200 M in capital expenditure

400 direct jobs on site



A specialised, integrated skill cluster, ERAMET is a strategic partner in the sustainable development of new industrial streams.



**MORE AND MORE,
BETTER AND BETTER**
How ERAMET
meets
manufacturers'
expectations

THE THREE PILLARS OF THE ERAMET MODEL



The Group is just a decade old in its current configuration but comprised of experienced companies with strong identities.

ERAMET is the only global, integrated French mining and metallurgical cluster that offers its customers technological know-how from ore mining through to recycling.

This unique positioning is a vector of lasting development. Another strength is its

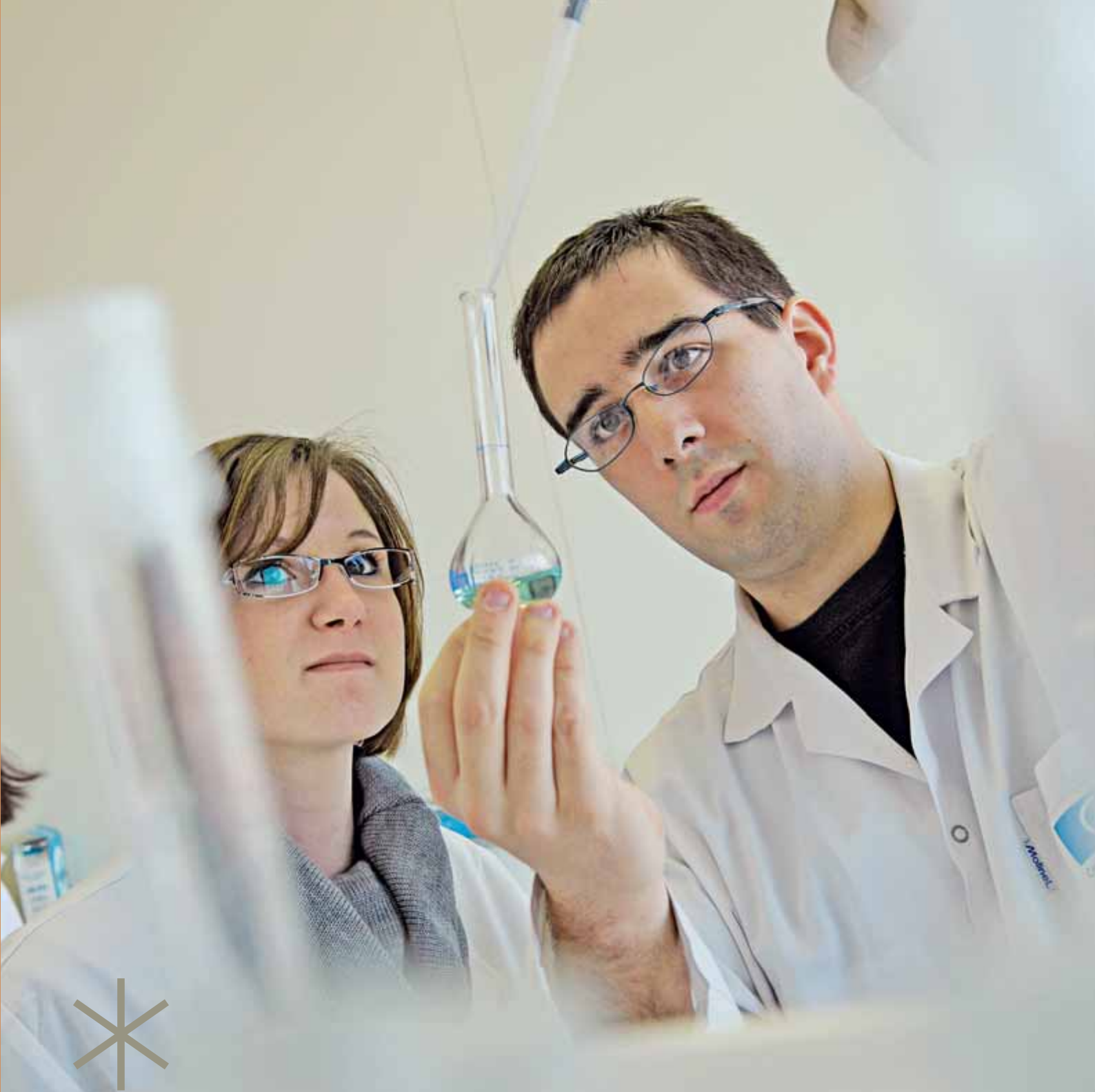


contribution to sustainable development through the use of metal alloys that extend the lifespan and improve the quality of steel. ERAMET's businesses are part of a structurally positive trend.

This strategic model - leadership across the industrial chain, from ores to high value-added products - is built on three



performance levers: innovation, customer focus and operating efficiency.



Innovation at ERAMET concerns the creation of new alloys but also new mining processes. 330 people contribute to innovation every day.

Innovation/ Staying one step ahead

How can new, more efficient products be developed to offer value to customers? How can production capacities be increased and competitiveness improved on the Group's sites? By centring strategy on innovation. We explain the issues inherent in an evolving sector.

Growth lever and competitive edge

Innovation doesn't happen to order. It is part of the very DNA of the company's development strategy and is built up methodically and ambitiously. This is an essential condition for ensuring the benefits feed into every growth lever. That's why, since 2006 ERAMET has constantly stepped up its R&D efforts on processes (competitive edge) and new products (growth lever), a key standout factor on the market. This determined approach was maintained during the crisis. The importance given to innovation is also reflected in the newly created position of Vice-President R&D, Innovation, Engineering and

Purchasing, held by Jean-Michel Fourcade since December 1st, 2009. *"Dedicated resources are in line with the Group's objectives and constantly growing. They enable us to meet the technical and technological needs of ERAMET's major industrial projects and bolster our current workforce of 330 people with new talent, particularly in hydrometallurgy,"* he states.

A skill cluster across the industry's value chain

The research programmes carried out in the Trappes, France centre, named ERAMET Research in 2008, or in the Divisions call varied, matching skills into play. To make sure results are relevant, ERAMET Research's people work closely with the Divisions' development teams, who are in direct liaison with engineers and technicians in the field. Customers are stakeholders in this system. In the Alloys Division, for example, Erasteel and Aubert & Duval carry out joint research programmes in product manufacturing and conversion and on the development of new grades. This close cooperation between researchers, engineers and line managers pools resources and skills. It also guarantees crucial responsiveness throughout the value chain for non-ferrous metals (mining, processing and recycling), from research programme design through to the application of innovations. *"ERAMET has an original R&D*

27%
growth in ERAMET Research's budget in 2010

organisation that has proven its relevance over the years. Innovation is and will continue be the key driver of the Group's sustainable, diversified growth strategy, in an industry that is increasingly demanding in technical terms. That's why the Group is making more and more use of "project mode" cooperation to boost the efficiency of research programmes and speed up industrialisation phases. The faster pace of innovation, especially on products, is what the market demands," acknowledges Jean-Michel Fourcade.

Respect for the environment, a constant concern

The environment, a major research avenue, structures ERAMET's development programmes. The most complete programme on that issue is undoubtedly the hydrometallurgical technique for processing oxide nickel ores. The first R&D stages were completed from 2005 to 2007 for Weda Bay, Indonesia. *"Every environmental consideration - energy savings, recycling, carbon footprint reduction, emission quantity and quality, site restoration - was factored into bibliographical studies and lab tests. It makes the project very original. Beyond that, hydrometallurgy opens avenues for the Group's diversification into new metals,"* says the Vice-President R&D, Innovation, Engineering and Purchasing.



CLOSE-UP

Specialised research centres

ERAMET Research: the lungs of R&D activity

ERAMET has a research centre in Trappes, France. A wholly-owned subsidiary since 2003, the facility is dedicated to R&D, employing more than 130 people including 107 researchers, engineers or technicians.

Its three main missions are to:

- organise and conduct R&D programmes,
- provide the Group and its Divisions with technical assistance and keep watch on ERAMET's patents, markets and competitors,

- recruit and train technical personnel, who form a talent pool as well as a training hub that allows the Group to develop at the heart of industries.

The Group's operating Divisions - essential partners for ERAMET Research

200 people on a number of sites take on more specific topics. These range from new product development to process modelling, coordinating industrial trials and the crucial final phases in the industrialisation of research projects.

Initiative Challenge

The Group's 3rd Initiative Challenge gave employees the opportunity to compete in a new category - Innovation. The engineering subsidiary ERAMET Ingénierie won the 2010 award.

R&D/2010 highlights

From new alloy grades and groundbreaking process pilots to new production capacities and progress on mining strategic ores, these are just some of the year's R&D successes.

ERAMET Manganese

ERAMET Research worked on increasing pre-reduction in ferromanganese alloying furnaces, with the aim of cutting the process's energy consumption. A pilot furnace, five times larger than previous models, was built in 2009. After a seven-week trial in 2010, it delivered outstanding results. The energy performance was equivalent to a 25% saving on the current industrial standard.

"The next step is to identify the levers which determine that performance in order to repeat it on an industrial scale," said Jean-Michel Fourcade, Vice-President R&D, Innovation, Engineering and Purchasing.



ERAMET Nickel

The ongoing development of hydrometallurgical processing for oxide nickel ores was a major activity in 2010. The process can be used on the mixtures of low-grade saprolites and laterites that are typical of ore at Weda Bay, Indonesia and new deposits in New Caledonia. After a continuous 1,000-hour trial in 2009 confirmed the process is reliable, a 12-week pilot was carried out in 2010, chiefly to ensure it is robust. These studies pointed to avenues for improving the project's profitability during its ramp-up years, on an environment-friendly basis.

KEY FIGURES

1,000 hours continuous trial of the hydrometallurgical process.

15 engineers and technicians work on Gabonese rare earths and niobium.

BUILDING A PILOT FACILITY IS A CRUCIAL STAGE IN TESTING A NEW PROCESS.



ERAMET Alloys

A majority share of resources is given over to digital simulation. The first stage - simulating new alloy grades, solidification structures and metallurgical conversion zones - enables research teams to master thermal treatments and the expected mechanical characteristics. These avenues are then checked by experimental casting and physical-chemical analyses. New industrial alloys and new parts are then developed. These innovations are achieved thanks to close cooperation between specialists and researchers, and increasingly with customers in strategic industries, such as Airbus, EADS and Snecma. The aim is to improve knowledge of the value in use of final applications. New parts developed under this framework in 2010 include the first closed die-forged, stainless steel landing gear part and large battens for the Airbus A350, which are closed-die forged from the new Aluminium-Lithium Airware 2050® alloy.

Erasteel also improved the cutting performance of some of its tooling steels, thanks to close cooperation with the relevant customers. Moreover, a new research centre opened in Sweden in 2010. PEARL is a customer-focused facility specialising in powder metallurgy.

Strategic metals

The development of new processes by the Group's R&D teams enable it to branch out into new metals such as niobium, rare earths, tantalum and lithium. This orientation is in line with ERAMET's diversification strategy. In partnership with Areva and in cooperation with Rhodia and several international research laboratories, a new pyrochlore processing technique is being developed. It should be rolled out on sites such as the world-class polymetal deposit at Mabounié, Gabon, which contains extensive resources of rare earths, niobium, tantalum and uranium, if prior studies, which have started well in the laboratory, are conclusive.

A specific team of eight engineers and seven technicians has been formed at ERAMET Research and a new laboratory suited to the specificities of this ore has been built. The team has been at work in these new premises since November 1st, 2010. Finally, ERAMET has established itself as a long-term partner of the Bolloré Group for the future production of lithium for electric vehicle batteries among other applications. In 2010 an evaporation pilot started up on the Salinas Grandes salt lake in Argentina. Furthermore, initial trials on the lithium purification process were carried out successfully by ERAMET Research in December 2010.



ERAMET ALLOYS CONDUCTS RESEARCH
IN ITS PAMIERS, LES ANCIZES (FRANCE)
AND SÖDERFORS (SWEDEN) LABORATORIES.

AT THE HEART OF ACTION

RESOURCES ON A PAR WITH AMBITIONS

Hydrometallurgical process: key facts

- Developed since 2005 based on the experience acquired in the Group's hydrometallurgical plants and the work done by ERAMET Research.
- Designed for oxide nickel ores, the process is used on a mixture of low-grade saprolites and laterites

that is characteristic of Weda Bay ore in Indonesia and lean ores in New Caledonia.

- Process: the crushed ore is attacked with sulphuric acid at atmospheric pressure and a temperature close to 100°C. Nickel and cobalt are dissolved and separated. Manganese is concentrated separately and isolated.

• Advantages:

- Optimum resource beneficiation;
- Minimum energy consumption;
- Simplicity and robustness;
- Environment-friendliness.



LABORATORIES
INTEGRATED INTO EVERY
PLANT CONTINUOUSLY
CONTROL QUALITY.

OPEN DAY:
STUDENTS TOUR
THE ERAMET SANDOUILLE
(FRANCE) PLANT.



**Openness and partnerships –
keywords in the R&D approach**

The Group's R&D enhances its skills through continuous dialogue with the academic world and partnerships with research institutes and industrial companies.

ERAMET's main partnerships:

France

- The engineering schools École des Mines ParisTech, École Centrale Paris (digital simulation of conversion), École Nationale Supérieure de Géologie de Nancy and École des Mines de Nancy (surface treatment, alloy production and metallurgy).
- Areva and Rhodia for the development of the pyrochlore

beneficiation process and for the Mabounié deposit (Gabon).

- Areva, Technip, BRGM (benchmark public organisation for Earth sciences), IFREMER (French research institute for the exploration of the sea) and the Ministry of Ecology, Sustainable Development, Transport and Housing for a forecasting study on marine mineral resources.

International

- The Group has entered into several research partnerships, particularly with Trondheim University, Norway, the Finnish public research centre GTK, the KT-Royal Institute of Technology and the semi-public research centre MEFOS in Sweden, MINTEK mineral research

organisation in South Africa and the Australian institutes ANSTO and CSIRO (the equivalents of the French organisations CEA and CNRS, respectively).

- Moreover, Aubert & Duval has launched a partnership with Strathclyde University in Scotland to take part in the construction of an R&D centre on the shaping and forging of aircraft parts.

Customer orientation/ A Group value

Being customer-oriented means listening, anticipating and meeting principals' demands. In the post-crisis context of 2010, the Group reinforced that mindset.

Enhancing the value in use of products – a necessity

Regardless of their size or sales volumes, ERAMET guarantees all customers high-quality commercial and technical support. For several years, the Group has implemented a policy of locating units as close as possible to markets. This closeness contributes to better understanding of local specificities and needs. For the Nickel Division's customers, with whom relationships have to be sustained under multi-annual contracts, *"price is a decisive factor. But so is our ability to produce ferronickel shot with the composition and shape that optimises value in use on a lasting basis, consolidating the customer relationship,"* acknowledges Bertrand Madelin, Division head. For example, SLN in New Caledonia is working on the particle size distribution of its ferronickel shot in order to improve yields and help customers draw full benefit from the Group's products in their own production processes.

Adapting organisation to customers' constraints

ERAMET also has a portfolio of customers from various sectors, based on monthly or quarterly contracts. This is the case for manganese and manganese alloys, for example. *"This renegotiation frequency, although it imposes constraints on financial and production flows, means regular, direct meetings when technical data on ores are discussed. These contacts are crucial to the quality of our customer relations,"* comments manganese Division head Philippe Vecten. He also points out that lower customer inventories entail smaller, more frequent, deliveries under shorter timeframes, a major shift in business relations.

Customer-partners during the R&D phase

For the high-purity nickel-based products from Sandouville refinery, Eurotungstène's tungsten powders and extra-fine cobalt powders and the entire superalloy range, customer relations are tailor-made.

"Cooperation between Aubert & Duval's engineers and technical sales staff and principals' design departments from the part design phase is essential. We're also working on solutions for optimising flows between our customers' workshops and our plants," says Georges Duval, Alloys Division head.

CLOSE-UP



Energizer

"Like all the producers in the sector, ERAMET had to adjust its organisation," observes Glen W. Givan, purchasing manager at Energizer. "The quality of COMILOG's ore is the primary factor in its historical leadership on this market. Then there's its cooperation with Erachem in the United States and GECC in China, which supply us with the high quality electrolytic manganese dioxide used to manufacture our batteries."

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INTERVIEW WITH GÉRARD KOTTMANN

A HIGHLY COLLABORATIVE PARTNERSHIP

A subsidiary of the Vallourec group, the world leader in tubes for power plants, Valinox Nucléaire is specialised in the nuclear sector. CEO Gérard Kottmann looks back over three decades of constructive collaboration with Aubert & Duval.

Tell us about Valinox.

We manufacture steam generating tubes and a range of nickel alloy and stainless steel tubular products made to measure for the nuclear industry. Since 2005/2006, the sector's growth has led us to extend our production capacity, first on the historical site in Montbard (Côte d'Or, France) from 2011, then in Canton, China in 2012. Overall capacity will be increased threefold in 2011 and fourfold in 2012 to total 7,000 km of tubes per year.

What kind of customer relations do you have with Aubert & Duval, your historical partner since Valinox was founded in 1974?

Thanks to close cooperation between our engineers and Aubert & Duval's, Valinox Nucléaire was the first company in the world to convert 690 alloy, which is mostly made of nickel (60%) and chrome (30%).

Joint work also enabled us to improve competitiveness by cutting out a manufacturing stage. To answer your question, it's clear that for more than 30 years, our two companies have built up and sustained extremely constructive commercial and technological dialogue.

Every generation of executives and personnel has passed on the torch and kept up a collaborative mindset. In a very conservative sector like ours, this lasting relationship with Aubert & Duval guarantees our customers compliant product quality that is superior to competitors' offering.

In December 2010 you signed a new partnership agreement with Aubert & Duval. What are the terms?

The agreement entered into for the 2011/2017 period confirms Aubert & Duval as the exclusive supplier for two-thirds of our needs.



GÉRARD KOTTMANN,
CEO Valinox Nucléaire

“The quality of our partnership has remained intact since 1974.”

With that outlook, the ERAMET subsidiary decided to build a new plant in Les Ancizes, France. This is further proof, if it were needed, of our partnership's durability. Given the sharp increase in our production capacities, Valinox also opted to work with a German supplier for one third of its alloy needs to secure its raw material supply.

Operating Efficiency/ Continuous improvement in Project mode

Before rolling out the financial and managerial tools needed to improve performance, action has to be taken on corporate culture. With its LEADERS programme, ERAMET fosters the convergence of values, the development of initiatives and the sharing of best practices.

LEADERS gives unity and meaning

Realising every potential is the fundamental goal of an operating efficiency programme in a company. With LEADERS, a continuous improvement programme for every employee, ERAMET reached a decisive milestone. Gradually rolled out worldwide since 2006, LEADERS federates talent, energy and cultures and encourages everyone to work together responsibly in order to contribute to collective performance. *"LEADERS is to some extent the point where shared practices and values converge. It's 'the ERAMET spirit' serving a new management method,"* explains Benoît Bied-Charreton, the programme's director.



2010: Take-off of Knowledge Management and Lean Management...

These management methodologies are two of LEADERS' four drivers. In 2010, all Group entities were made aware of the knowledge management concept. The goal is to have teams with different origins and technical backgrounds grasp the importance of recording, updating, sharing and protecting the Group's scientific heritage. *"Now it's about disseminating a methodology*

CLOSE-UP

A reorganised Purchasing function

Tangible operating efficiency stems from a joint approach combining performance improvement with cost reduction. Under that framework a diagnosis was drawn up on the Group's Purchasing function in spring 2010. The stakes are significant for ERAMET with a final target of tens of euros in annual savings.



for learning how to identify one's knowledge, put it into words, pass it on and share it through collaborative workspaces," explains Benoît Bied-Charreton.

Another success chalked up by the LEADERS programme in 2010 was the popularity of Lean Management in the Group. "Everyone knows what it means. Making procedures leaner has become standard practice," Benoît Bied-Charreton is pleased to note. This enthusiasm was generated by the good results obtained by the Alloys Division, which has been implementing Lean Management for three years. This Japanese method is both a management approach and a philosophy that seeks to improve the overall performance of the industrial process by involving personnel. More than just another cost reduction tool, the concept, adapted to ERAMET's needs, has established itself in the Group as a mobilisation and improvement tool for the company and its employees. *"Making things simple, direct and short is becoming a reflex,"* says the LEADERS programme director. This change of mindset is boosting operating efficiency.

... and first project culture training

Project culture, another LEADERS driver, benefited from a special momentum in 2010. 800 managers were trained in "project thinking" and sharing essential organisational rules to ensure that projects are a success. This is a crucial step towards a more comprehensive, formal approach to project management before implementing specific tools like drawing up a budget or facilitating a meeting. Further training sessions are scheduled in the coming months. Also planned in 2011 is the development of benchmarking, the fourth LEADERS best practice, with the aim of establishing another positive habit: measuring oneself against others to select the most value-creating aspects.

KEY FIGURES

800 people took part in project culture training.

165 entries for the Initiative Challenge.

BENOÎT BIED-CHARRETON
LEADERS programme director

"LEADERS is the ERAMET spirit serving a new management approach."



The key to our lasting presence on five continents is in our firm local roots.



**A SUSTAINABLE
COMMITMENT**

Reconciling
mining
with sustainable
development

Process/**Balancing ambition and realism**

In 2010, ERAMET formalised its sustainable development policy. This important step sets the course for the Group's good corporate citizenship and mobilises employees as stakeholders.

Achievable goals

By ratifying the Group's sustainable development policy and Code of Ethics on January 20th, 2010, the Board of Directors officially tied ERAMET's growth to its responsible action as a corporate citizen. *"We now have a clear, ambitious roadmap. This fundamental strategy is an excellent growth vector. It will foster trusting relationships between all the company's stakeholders in the framework of projects that meet the main international standards,"* confirms Catherine Tissot-Colle, Executive Vice President, Communications and Sustainable development. *"Targets are ambitious but realistic, to make sure we achieve them,"* she adds.

Four main goals, a set of priority actions

The Group drew on a robust set of accomplishments since 2002* and the results of two consecutive years' work on completing, enhancing and putting into perspective the actions already taken through the three Divisions' policies in their respective sectors. The Code of Ethics gives a broad overview and describes the principles and behaviour standards employees and partners should meet in their everyday actions. The two primary goals are to safeguard the Group's integrity and foster profitable, sustainable and harmonious growth. *"In some ways this is ERAMET's first sustainable development standard,"* Catherine Tissot-Colle states. Formalised sustainable development policy is intended to foster the application of major principles on all Group sites. Specific goals are set for each of its four avenues, which are designed to embody ERAMET's ambitions through to 2015 in terms of health, safety, the environment and economic development. The real issue for the next few years is not the local implementation of actions (already well under way) than the harmonisation of the Group's best practices worldwide.



This standardisation is challenging given ERAMET's presence on five continents, but is a necessary stage if we are to go further tomorrow.

*An Environment Charter in 2002, an Environment Department in 2003, becoming the Sustainable Department with membership of the Executive Committee since 2007.



On the new Weda Bay site we are developing a programme to support local communities and protect their environment.

2010 Highlights/ Acting responsibly and letting the world know

Alongside the circulation of the two sets of guidelines, Catherine Tissot-Colle summarises the Group's main progress against a backdrop of increasingly stringent regulations and stakeholder globalisation.

Code of Ethics rolled out

Translated into a dozen languages, from May 2010 the Code of Ethics and the Development Policy were gradually provided to all the Group's employees. *"The major principles set down by management bodies must be more than hollow statements. They have to be known and understood so that everyone can own, share and comply with them under proven methodologies and defined objectives. This is a crucial step in ensuring actions are part of a value-creating, continuous improvement rationale."*

In that context, every communication opportunity was seized during the year. An ethics specialist was also appointed in the spring of 2010. He is there to answer questions and give advice on every subject relating to the implementation of the Code of Ethics. Finally, a manager commitment survey will be conducted in 2011.

The ERAMET Group Code of Ethics, 9 principles we should all apply

- Combating all forms of fraud and corruption
- Avoiding conflicts of interest
- Complying with competition rules
- Protecting information
- Respecting and protecting employees
- Supplying quality products and services, in compliance with current standards
- Ensuring the Group's local responsibility and citizenship
- Providing high quality information to the Group's local partners
- Giving reliable and fair financial information

CODE OF ETHICS
The full text of the Code is available on Eranet
Ethics contact: charle.ethique@erametgroup.com

ERAMET

CLOSE-UP

Stakeholders: think global, act local

"In recent years stakeholders – local and national elected representatives, neighbours, NGOs, unions and personnel – have become more and more competent in their field and demanding with respect to industrial companies. In parallel, with the boom in new communication technologies, the world is now a village where everyone knows everything," remarks Catherine Tissot-Colle. In response to the new issues and the need to improve knowledge and dialogue with stakeholders, in 2009

ERAMET mapped out its main French contacts. The initiatives brought our units' best practices in this area. Moreover, wherever it is based the Group strives to develop relations with local populations by working closely with representatives of local authorities. It aims to make a transparent contribution to economic and social development through fair governance of operations and shared results. Finally, ERAMET supports various social and educational programmes worldwide.

With the aim of measuring engagement with defined goals, this should be a useful tool for connecting ambition and reality.

A makeover for Eragreen

The Group's environmental reporting tool Eragreen is now simpler, more relevant and more factual following an overhaul in 2010. Production units, support services and in-house environment and energy experts worked together to redesign the platform's form and function. The results speak for themselves. *"We went from 1,000 indicators to around 300. ISO 14001 certification and the zero lawsuit goal are now factored in."* In operation since October 22nd, 2010, the tool will enable the Group to meet every environmental data request more quickly and easily.

REACH registrations completed on time

In line with the REACH (Registration, Evaluation and Authorization of Chemicals) programme, in 2008 the Group pre-registered all the chemicals, including metals, and their compound used in its processes and products. This first stage was prior to the registration,



ENVIRONMENTAL
REPORTING COVERS
ALL THE GROUP'S
INDUSTRIAL SITES.



by December 31st, 2010 at the latest, of products made in quantities over 1,000 tons, i.e. 42 substances. This successful second phase called for significant cross-Group mobilisation, given ERAMET's scope of activities. *"We formed crossfunctional teams and appointed REACH managers. We also took part in ten or so Consortia*. These fruitful discussions led to new best practices."*

* Groups of producers of the same substance formed to carry out jointly the studies and tests required by European regulations.

THE FOUR PILLARS OF SUSTAINABLE DEVELOPMENT POLICY

- **Protect and develop ERAMET's employees** by involving them in our actions
- **Manage health and environmental risks and impacts** in order to safeguard balances sustainably
- **Seize the opportunities** offered by Sustainable Development for the benefit of customers
- **Keep up a trusting relationship** with stakeholders to create value for all.

IN MOANDA, GABON,
COMILOG FUNDS
A LARGE PART
OF THE TOWN'S
INFRASTRUCTURE,
INCLUDING SCHOOLS,
HOSPITAL, MATERNITY
CLINIC AND HOUSING.



How will ERAMET build on this constructive work? By remaining mobilised in order to answer questions from ECHA (the agency in charge of analysing all the registration files) and complete the next REACH phases on time.

Health monitoring standards: a first for the Group

Employees' health and safety is the first axis in ERAMET's sustainable development policy. The recommendations made and the various action plans implemented for several years are intended, in all circumstances and in all countries, to guarantee their protection and physical and emotional safety. In 2010, a project to define two health monitoring standards - one for nickel, one for manganese - was successfully completed.

"Our knowledge of our products and the biological markers that detect potential risks is constantly improving. So the Group was ready to design standards." In liaison with trade organisations, ERAMET designed its own reference matrices and is preparing to roll them out in its various entities. In 2011, the Nickel standard should be deployed in France and at SLN in New Caledonia.

Non-financial communication: a desire for transparency

Since 2002, ERAMET has fulfilled its obligations under the French NRE law on new economic regulations. In 2010, a benchmarking study was carried out on the Group's non-financial communication. The main lesson learned was that the Group is perhaps too discreet on its many sustainable development actions. *"ERAMET wants to communicate better. The overhaul of our reporting tool Eragreen is a step in that direction. Moreover,*

CERTIFICATION TARGETS ACHIEVED

As on January 31st, 2011, 23 sites are ISO 14001 certified.

This brings the total share of certified sites to 53%. The aim for 2011 is to have 7 further sites certified.

The Grenoble, Imphy, Heyrieux and Sandouville (France) sites have obtained dual OHSAS 18001 and ISO 14001 certification.

These Group plants work under an integrated Quality, Safety and Environment management system.



ERAMET NORWAY
PUBLISHES AN IN-DEPTH
ENVIRONMENTAL
REPORT EVERY YEAR.

the environment correspondent network is now stronger and more professional with around 30 people.”

Contributions to a meaningful debate

To defend its activities and products and contribute to meaningful debate worldwide, ERAMET has been involved for many years in a number of international (Nickel Institute, International Manganese Institute, Cobalt Institute), European (Eurométaux, Euroalliages, etc.) and French (Fédération Française des Métaux Non Ferreux, UIMM, etc.) trade bodies.

In 2010, 80 Group employees took part in the international EHS*

seminar in Clermont-Ferrand, France. The topics addressed included substance classification, chemical hazards and energy savings. It was also an opportunity to share best practices and present ERAMET’s policy.

* *Environment, Health & Safety.*

KEY POINTS OF CODE OF ETHICS

Protect the Group’s integrity

- **Combating** all forms of fraud and corruption
- **Avoiding** conflicts of interest
- **Complying** with competition rules
- **Protecting** information

Foster profitable, sustainable and harmonious growth

- **Respecting and protecting** employees
- **Supplying** quality products and services, in compliance with current standards
- The Group’s local **responsibility** and citizenship
- **High-quality information** provided to the Group’s local partners
- Accurate, reliable financial **information**

Process/ Our main actions

ERAMET project	2010 goals	Completion rate
Group "energy saving" process	Monitoring, updating and support on relevant sites	Energy savings doubled compared with 2009
Carbon footprint	Definition of site indicators on specific emissions (tons of CO ₂ /ton of product)	Indicators being set up
Biodiversity	<ul style="list-style-type: none"> • Systematically draw up inventory of fauna and flora on the Group's possible future locations • Work with national and international bodies on the subject 	<ul style="list-style-type: none"> • Completed in 2010 for the Weda Bay Nickel and Moanda Metallurgical Complex projects • Participation in French national convention on biodiversity and other meetings with relevant authorities
ERAMET projects	Factor sustainable development aspects into the Group's project management organisations	Completed for major projects Training/awareness of EHS (environment, health, safety) network participants
Certification ISO 14001	Under way on 7 new sites	53% of sites certified as on 31/12/2010
REACH	<ul style="list-style-type: none"> • Compliance with registration schedule set by European Authorities • Substance classification: monitoring of scientific work, classification of ores 	Completed Collective action carried out with trade federations



REVEGETATION
AND PROTECTING
BIODIVERSITY
ARE IMPORTANT
CHALLENGES.



53%
of sites certified
ISO 14001

93%
of raw materials
charged on the
Erasteel Commentry
(France) site result
from recycling

25%
cut in ERAMET
Sandouville's (France)
water consumption
in 3 years



SLN IS A MAJOR PARTICIPANT IN NEW CALEDONIAN LIFE.



AT THE HEART OF ACTION

AROUND THE WORLD

Closely involved in the local life of its host regions, the Group leaves its units free to select their own initiatives. This “made-to-measure” approach enables them to address local specificities better. Here is a non-exhaustive list of actions taken in 2010.

New Caledonia

- A book was published to tie in with SLN's 130th anniversary and the centenary of its Doniambo plant in Nouméa, New Caledonia. Several events were organised, including an anniversary party with external partners and a travelling exhibition of commemorative photos.
- An Open Day was organised at the Doniambo plant, as were tours of the different mining centres.
- SLN is a partner of the Foa cinema festival.

- The sponsorship programme “Les Nickels de l'Initiative” rewards scientific, artistic and community projects submitted by New Caledonians.
- In total, SLN signed: 15 sports partnership agreements, 11 cultural partnerships, 17 community partnerships, 16 partnerships in teaching and training.

Indonesia

- In 2010 PT Weda Bay created the Yayasan Saloi foundation, with \$1 million earmarked for educational, health and environmental programmes.
- PT Weda Bay also set up a partnership between the Moluccas Province and the Upper Normandy region in France with an academic (student grants and exchanges) and health focus.

- The information centre built at the base camp on Halmahera explains the PT Weda Bay project to the island's inhabitants and answers their questions around a scale model, presentation boards and a film.

France

- Sandouville plant (Seine Maritime):
 - Since 2007 the site has taken part in the annual “Semaine de l'industrie” (industry week).
 - Sponsoring actions were taken, including the restoration of a church and support for the Le Havre rugby team.
 - The plant helps to organise the industrial option for the Le Havre high school diploma and hosts site tours on specific topics throughout the course.



A SESSION OF THE
"COUP DE POUCE CLÉ"
CLUB.

PT WEDA BAY
IS FORGING A
HIGH NUMBER OF
PARTNERSHIPS
IN INDONESIA.



ERAMET SUPPORTS LEARNING CLUBS FOR YOUNG CHILDREN

APFEE is an educational support association. It helps children in the first years of primary school who do not receive enough daily help at home to learn to read. Partly thanks to ERAMET's support, APFEE opened seven new classes in Dunkerque and six in Grenoble, two cities where the Group's plants are located.

"Coup de Pouce Clé" organises clubs of five children who meet up after school with a facilitator who helps them make progress on reading. Experience shows that at the end of the year, nine out of ten children are able to continue their education satisfactorily.

- Pamiers plant (Ariège)
 - Airforge workshops hosted a concert attended by 300 people for the "Musique au Pays de Gabriel Fauré" association.

United States

- New Johnsonville plant (TN)
 - The unit supported the "Four Seasons for Little People" association, with 550 books bought for pupils at three primary schools.
 - The plant's employees contribute to the training of young people taking part in soccer and American football competitions.

Belgium

- Tertre plant
 - The unit makes use of sheltered workshops for various jobs (cleaning work clothing, labelling bags, dismantling and recycling computer hardware).

Norway

- Tysedal plant
 - The unit sponsors various local associations (Red Cross, football club, etc.).
 - Funding helped the Tysedal town choir produce a CD and organise concerts.
- Kvinesdal plant
 - In line with its centenary, an Open Day was organised on November 6th and attended by 500 people.
- Sanda and Porsgrunn plants
 - Regular visits from members of the Norwegian parliament.

Gabon

- Since 2006, COMILOG and Setrag have been facilitating the Gamma campaign on AIDS. This major partnership raises risk awareness among personnel and the general population.

- Actions include the circulation of an information brochure, organisation of radio programmes and events in housing estates and train stations, giving out condoms, etc.
- A screening and patient support programme is also conducted through the year.

Human Resources/ Nurturing the Group's Diversity

In line with the Group's sustainable development policy, the new human resources strategy adopted in late 2010 is intended to help all employees reach profitable, sustainable growth goals. The principles and issues are set out below.

The Group's greatest asset – its people

"To operate our world-class mining resources and our facilities, we need talent. Because at equal financial and technological capacity, the quality and commitment of the men and women that make up a company will make the difference," observes Michel Carnec, the Group's Executive Vice-President Human Resources, Health & Safety. *"The interdependence between business and human resources is greater than ever. To some extent it's the match between left and right brains!"* The new Human Resources strategy adopted

at the end of 2010 is completely in line with that ambition to recognise and capitalise on the diversity of the men and women that form the ERAMET community. As performance levers, they build the quality of customer relations, enhance the Group's technological leadership with their skills and know-how, and guarantee operating excellence, day in day out. *"The six pillars of our strategy are designed to enable all employees and managers to progress, but also to support them in achieving ERAMET's profitable, sustainable growth targets,"* Michel Carnec explains.

Consistency in action, talents in synergy

The new action plan has six main lines: managing and developing talent, having the right skills (in the right place at the right time), value-creating performance, training, an environment that respects personnel (in correlation with the Code of Ethics), open, productive relations with employee representation bodies worldwide, and a professional HR function that uses modern tools and works as a team. *"The plan was designed with the HR team and management, with the aim of ensuring the initiatives already carried out or to be*

KEY HR FIGURES 2010

11.5% managers.

15% women in the total workforce.

implemented are consistent and clear. It has to help the Group leverage its synergy," states the Executive Vice-President Human Resources, Health & Safety. Rolled out by managers progressively in 2011, the strategy will have to prove its ability to bring people together wherever it makes sense. It should also give in-house mobility a new momentum, a major HR issue for the coming years. The goal is to make sure ERAMET has crossfunctional teams that can take action anywhere in the world with the same expertise and efficiency.



Safety training
180 members of management
trained in safety in 2010.



Protecting employees is essential.
We make sure safety training
is effectively deployed.

Human Resources/ HR Teams Lead the Way to Sustainable Growth

After rallying to implement the actions needed to adjust to the crisis in 2009, HR teams used a period of transition in 2010 to prepare for the upturn. Here are the highlights.

Health and safety

The efforts made to prevent risks and reduce accidents came to fruition. With a lost-time accident rate of 4.5 compared with a 2010 goal of 5.5, results are encouraging. This overall improvement reflects the efforts made by each Division, even if situations vary widely from one site to the next. Beyond this quantitative goal, Group-level priorities were set. Risk appraisals were completed on 59% of the Group's workstations worldwide. There was also an emphasis on stepping up safety audits by managers in the field. Moreover, management training was the subject of several sessions at Aubert & Duval, SLN and COMILOG. An agreement on psychosocial risk prevention was also signed with unions in mainland France. In that respect, a working conditions survey, designed with Liège University based on the best current standards, will be conducted in 2011. The findings will be used to draw up prevention plans in the different sites.

Development and mobility

To address the issues and have the qualified personnel our businesses and technologies demand, development and mobility policies have evolved. *"A consistent Group training offering, available on every site worldwide, is being defined. We want to build on the initiative taken by the Alloys Division to enable every ERAMET employee to acquire the knowledge they need and ramp up their skills,"* explains Michel Carnec, Executive Vice-President Human Resources, Health & Safety. New brochures in several languages, intranet information for expats and the rollout of the HR information system Talent@Work, currently available to the Group's managers, are vehicles for this ambition.

Industrial relations

"We have a tradition of substantial dialogue with unions. That continued in 2010 both at Group level and in our various subsidiaries. Major agreements were signed

CLOSE-UP

Safety, the #1 priority

Despite the progress recorded in 2010, safety remains the Group's absolute priority. The following actions will continue in 2011:

- analysing and appraising risks on workstations,
- taking inventory of CMR (carcinogenic, mutagenic and reprotoxic) substances,
- training safety facilitators and managers,
- encouraging management to spend more time in the field.

In 2010, 180 managers followed intensive safety training and 35 additional trainers were trained on different sites.

in mainland France on subjects like preventing psychosocial risks, the overhaul of employee savings plans and the setup of a collective pension scheme," adds Michel Carnec. The officers of the European Works Council met management several times to monitor progress on our industrial projects. In 2010 the Group also organised a two-day training session for European Works Council officers with the support of the European Union. The subject was the new directive on union representation in Europe.



THE DIVERSITY OF ERAMET'S TALENT IS A GREAT ASSET.



CAPITALISING ON SENIOR EMPLOYEES' EXPERIENCE IS A KEY PART OF KNOWLEDGE MANAGEMENT.

MICHEL CARNEC
Vice President Human Resources

“Skill and talent management helps to identify the right profile at the right time. This dynamic, forward-looking approach is crucial for ERAMET’s growth.”



WITH A 4.5 LOST-TIME ACCIDENT RATE, BETTER THAN THE 5.5 TARGET FOR 2010, RESULTS ARE ENCOURAGING.



THE NEW SIX-PILLAR ACTION PLAN IS DESIGNED TO LEVERAGE THE GROUP'S SYNERGY.





FORMING MULTICULTURAL TEAMS THAT CAN TAKE ACTION WORLDWIDE WITH THE SAME EXPERTISE AND EFFICIENCY IS A MAJOR GOAL FOR ERAMET.

BENOÎT BIED-CHARRETON
LEADERS Director

“LEADERS is a continuous improvement process based on values that give it an identity with the Group’s employees.”



AN ENVIRONMENT THAT RESPECTS EMPLOYEES FOSTERS INDIVIDUAL FULFILMENT AND ECONOMIC SUCCESS.



AT THE HEART OF PROFESSIONS

Eight technical streams A hundred professions

The ERAMET Group’s greatest assets are its men and women, thanks to their cutting-edge technical knowledge and skills. Whether in geology, mining, mineralurgy, metallurgy, hydrometallurgy, metal analysis and characterisation, maintenance or industrial data-processing, throughout their career they benefit from relevant training

as well as monitoring by Human Resources managers. They are also supported by the expertise of their colleagues specialising in finance, law, marketing, logistics or sustainable development. The Group’s international scope opens up career possibilities in different subsidiaries and on five continents.

7 VALUES FOR A COMMON CULTURE

From different backgrounds over several continents, ERAMET’s people share the same values. These seven values guide and give meaning to their actions:

- Customer orientation**
- Quest for value-creating performance**
- Intellectual honesty, courage**
- Initiative and open-mindedness**
- Challenging the work status quo, mobility**
- Teamwork and decompartmentalisation**
- Maintaining, enhancing and passing on skills**

Governance/Structures based on the principles of the AFEP/MEDEF code

Changes in ERAMET's corporate governance are part of a positive, modern general trend. They are reflected in greater transparency and a more extensive role for directors and the various committees that support the Board in its work.

In accordance with the shareholders' agreement of June 17th, 1999 as amended on May 29th, 2008 between Sorame and CEIR as one party and AREVA as the other, the Board of Directors is comprised of 15 members appointed for four years.

Directors' Charter

The Charter sets down the mission and obligations of Board members. Whether appointed as an individual or representing a legal entity, every new Director commits to it. The Charter emphasises his or her authority, right to information and obligation to stay informed, attendance at Board and Shareholders' meetings and independence of judgement. Board members must also make sure they avoid any direct or indirect conflict of interest between ERAMET and a company where they hold an office. Any such situation must be revealed to the Board, resulting, as the case may be, in rejection of the appointment or resignation (structural conflict) or abstention (non-recurring conflict). In the event of significant unpublished information being held, the obligation of professional secrecy and not trading in the Company's stock is also stipulated. From 2005, this prohibition from trading in Company stock was covered by a procedure that applies to corporate officers and top managers, the list of whom is regularly updated. This procedure was replaced on February 16th, 2011 by a Code of Stock Market Ethics.

Audit Committee

The Audit Committee Charter is regularly updated. In addition to legal duties, it specifies the composition, workings and assignments of Director members. The Committee checks the relevance and correct application of the accounting methods used, examines internal audit plans and conclusions, analyses the semi-annual and annual financial statements, monitors major lawsuits, foreign exchange management policy, raw materials, hedging and investments. It examines the Chairman's report on the Board's work and internal control procedures. In 2010 it met four times, with a 100% attendance rate.

Compensation Committee

Comprised of three Directors, two of whom are independent, the Committee is assisted by the Group's Executive Vice-president Human Resources. In particular, it proposes to the Board of Directors corporate officers' fixed and variable compensation according to results and objectives.

Appraisal of the Board's work

In 2010 the Board of Directors confirmed the findings of an appraisal of the Board and its work.

COMPOSITION OF THE BOARD OF DIRECTORS AS ON DECEMBER 31st, 2010

Patrick Buffet, Chairman & Chief Executive Officer

Directors

Georges Duval, Manager, Sorame, Vice-Chairman and Delegate CEO - ERAMET Alloys

Édouard Duval, Chairman of Management Board, Sorame, Chairman, ERAMET International

Cyrille Duval, Manager, Sorame, General Secretary, ERAMET Alliages

Patrick Duval, Chairman, CEIR

Pierre-Noël Giraud, Lecturer, École supérieure de Mines ParisTech and Paris-Dauphine University (independent director)

Gilbert Lehmann, Advisor to the Management Board, AREVA

Jean-Hervé Lorenzi, Member of the Economic Analysis Council, Economic Lecturer at Paris-Dauphine University (independent director)

Louis Mapou, Chairman STCPI (New Caledonia)

Sébastien de Montessus, Mining Business Group Senior Executive Vice President, AREVA

Michel Quintard, Technical Advisor to the New Caledonian Chamber of Commerce and Industry

Jacques Rossignol, former CEI, Safran and Arianespace (independent director)

Michel Somnolet, former director, Deputy Chairman and Chief Financial Officer, L'Oréal (independent director)

Antoine Treuille, Chairman, French American Foundation and Altamont Capital Partners LLC (independent director)

Areva (represented by Frédéric Tona, former Advisor to the Chairman & CEO, AREVA)

Censors

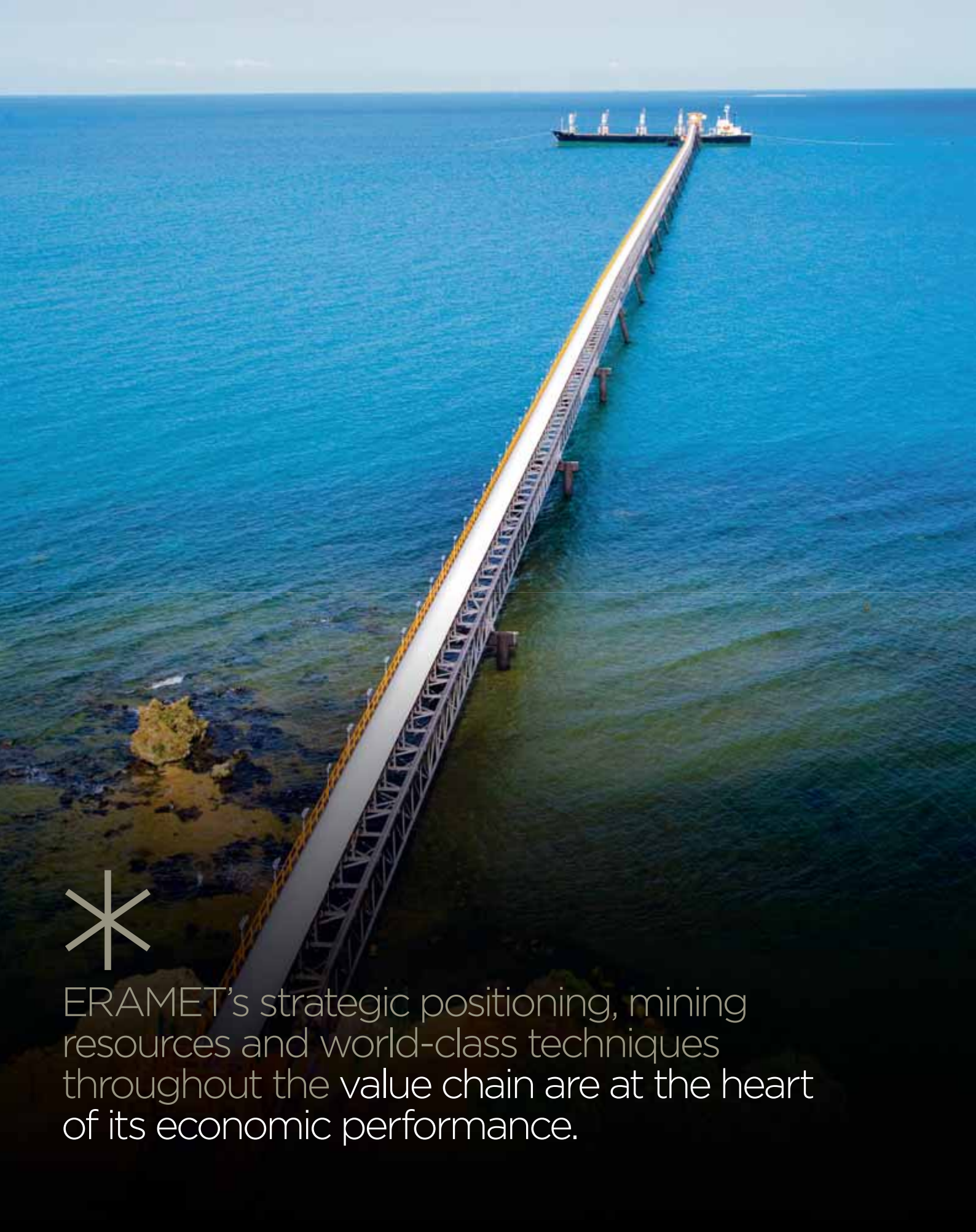
Bertrand Fréart
Daniel Signoret

Group Works Council Delegates

Yann Gourvil
Claudine Grossin
Didier Jacq
Serge Zaragoza

Honorary Chairman

Yves Rambaud



ERAMET's strategic positioning, mining resources and world-class techniques throughout the value chain are at the heart of its economic performance.



FINANCE & STOCK MARKET

Sharp
improvement
in results

Shareholders/ Further rise in share price

ERAMET stock gained 16% in 2010, ending the year at € 256.50/share for market capitalisation of €6.8 billion, whereas the CAC 40 index decreased 3% in 2010.

The highest share price, €298.40, was recorded on April 7th, 2010 and the low at €193.70 on August 25th, 2010. Over five years from 12/31/2005 to 12/31/2010, ERAMET shares rose 217% while the Dow Jones Stoxx 600 Basic Resources Europe, comprised of 25 mining and metallurgical stocks, rose 57% over the same period.

Significant increase in dividend proposed

ERAMET's Board of Directors proposed to ERAMET's shareholders at the general meeting on May 11th, 2011, the payment of a €3.50 cash payment per share compared with €1.80 per share in 2010, reflecting 2010's good results.

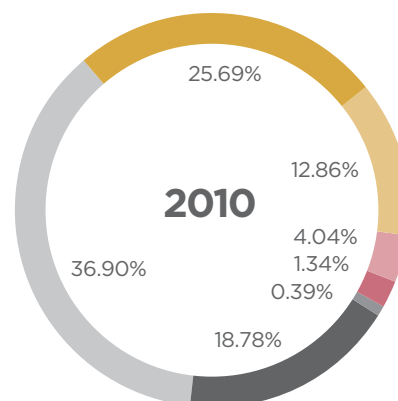
Continuation of EraShare programme for ERAMET Group employees

In 2010, the EraShare programme continued with two ERAMET shares granted to every employee in the Group.

Financial Communications

The Group's financial communication was further enriched through various vehicles such as the registration document, annual report and Group website www.eramet.com. For the first time the meeting held to present the first-half 2010 results was webcast live with simultaneous English translation.

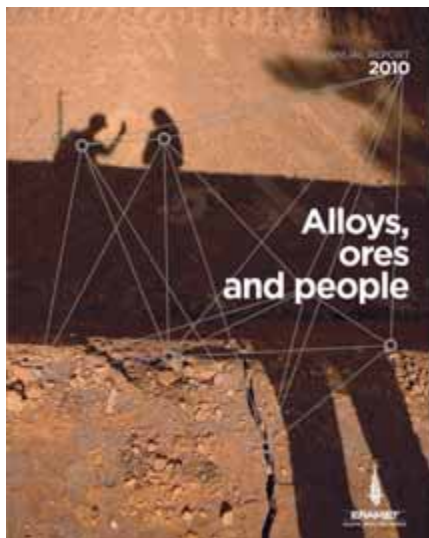
SHAREHOLDING
(AS ON DECEMBER 31st, 2010)



Sorame + CEIR	36.90%
AREVA	25.69%
Carlo Tassara	12.86%
STCPI*	4.04%
BRGM**	1.34%
Treasury shares	0.39%
Miscellaneous	18.78%

* STCPI: New Caledonian provinces.

** BRGM: Geological and mining research agency (French state).

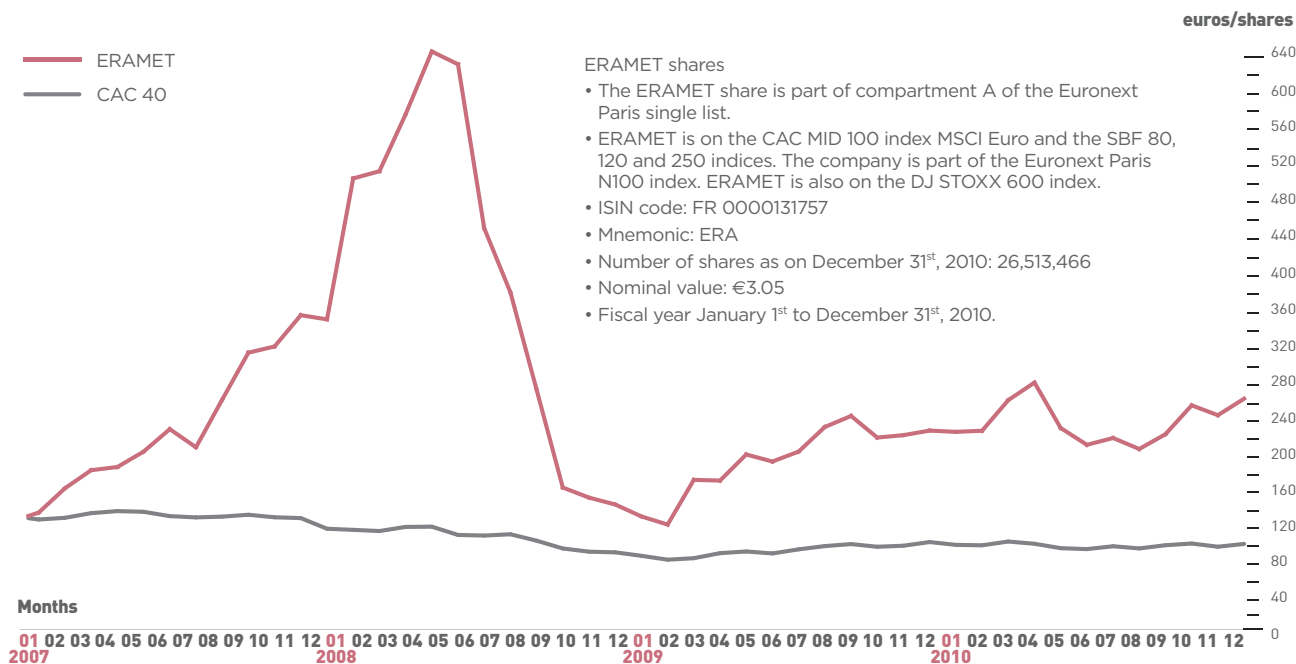


SHAREHOLDER'S DIARY

- **Thursday, February 17th, 2011:** annual results 2010.
- **Thursday, April 28th, 2011:** 1st quarter 2011 turnover.
- **Wednesday, May 11th, 2011:** shareholders' general meeting.
- **Thursday, July 28th, 2011:** 2nd quarter 2011 turnover and 1st half 2011 results.
- **Thursday, October 27th, 2011:** 3rd quarter 2011 turnover.



SHARE PRICES IN 2010 (MONTHLY AVERAGE)



Consolidated Financial Statements/Commentary

Income statement

TURNOVER

The ERAMET Group's turnover grew 33% in 2010 compared with 2009, totalling €3,576 million. Its growth remained firm in the 4th quarter of 2010 (up 28% from 4th quarter 2009).

CURRENT OPERATING INCOME

Current operating income totalled €739 million, compared with a current operating loss of €163 million in 2009. This represents a current operating margin of 20.6%, a sharp increase on 2009 (-6.1%).

The €902 million increase in current operating income results from the productivity efforts made, sharp price rises, particularly for manganese and nickel, and the positive effect of sales stated in foreign currencies (mainly the US dollar), despite a drop in alloy sales at Aubert & Duval.

OPERATING INCOME

At €720 million, operating income was far greater than in 2009 (up €987 million). It includes provisions for restructuring, in particular. In 2009, operating income included €51 million in asset depreciation, of which €47 million for Erasteel, and the loss of €23 million in assets (options and development expenses) following the shutdown of operations in Namibia.

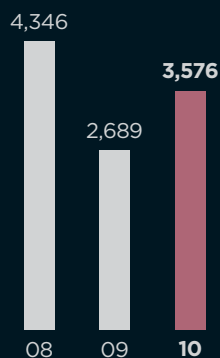
NET INCOME

In 2010 net income was €454 million, compared with a net loss of €261 million in 2009.

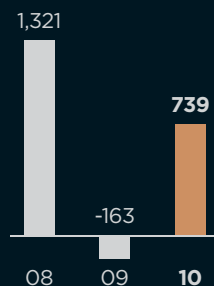
NET INCOME, GROUP SHARE

The Group's share of net income totalled €328 million, compared with a €265 million loss in 2009, after €126 million for minority interests' share of net income.

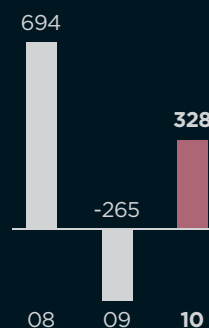
TURNOVER
(€ millions)



CURRENT OPERATING INCOME
(€ millions)



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



Financing ⁽¹⁾

The Group's net cash⁽²⁾ amounts to €1,295 million as on December 31st, 2010, compared with €946 million as on December 31st, 2009.

This increase results from the following movements:

- €727 million in net operating cash flow (€112 million in 2009);
- €(252) million in net cash flow used in investing activities, mainly comprised of €326 million in capital expenditure and €101 million in the divestment of securities (COMILOG divestment for €86 million, sale of Tinfos International), and €25 million in financial investments including the acquisition of Valdi;
- €121 million in net cash flow used in financing activities, of which €152 million in dividends paid (of which €47 million to ERAMET shareholders and €105 million to minority shareholders in consolidated companies), and

€31 million in share capital increase following payment of part of the dividend in stock;

- €(5) million negative impact of exchange rate fluctuations.

- liabilities: the increase in shareholders' equity (+€469 million), mainly due to income and the sharp rise in working capital liabilities (€277 million), particularly with respect to tax.

Consolidated balance sheet

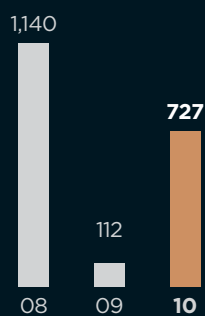
The Group's consolidated assets as on December 31st, 2010 totalled €6,103 million compared with €5,270 million as on December 31st, 2009. This €833 million increase mainly results from:

- assets: increase in intangible assets and property, plant and equipment, particularly due to capital expenditure (€326 million), increase in inventory (€172 million) and customers (€128 million), mainly relating to activity and the increase in active cash items (€369 million);

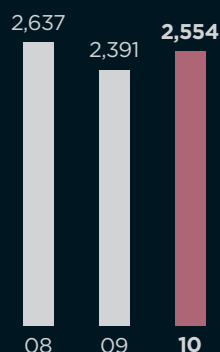
(1) Cash flow statement.

(2) Net cash is comprised of cash and cash equivalents, and other financial assets, minus short-term borrowings.

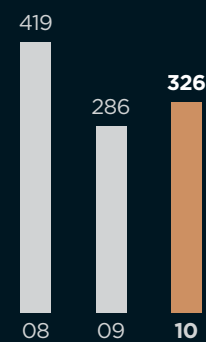
OPERATING CASH FLOW
(€ millions)



CAPITAL EMPLOYED
(€ millions)



CAPITAL EXPENDITURE
(€ millions)



Balance sheet

(€ millions)

Assets	2010	2009
Goodwill	172	161
Intangible assets	521	432
Property, plant and equipment	1,903	1,795
Equity accounted companies	22	21
Other non-current financial assets	86	100
Deferred tax	30	68
Other fixed assets	5	5
Total fixed assets	2,739	2,582
Inventories	996	824
Trade receivables	642	514
Tax receivables	12	43
Financial derivatives	128	90
Other current financial assets	359	405
Cash and cash equivalents	1,227	812
Total current assets	3,364	2,688
Total assets	6,103	5,270
Shareholders' equity and liabilities	2010	2009
Share capital	81	80
Share premiums	371	341
Change in fair value of assets	7	6
Financial instrument reappraisal reserve	10	24
Translation adjustments	24	(32)
Other reserves	2,465	2,116
Share of parent company owners	2,958	2,535
Share of non-controlling interests	1,016	970
Shareholders' equity	3,974	3,505
Personnel commitments	123	128
Provisions	360	314
Deferred tax	342	297
Borrowings - long-term portion	203	199
Other non-current liabilities	33	36
Total non-current liabilities	1,061	974
Provisions - short-term portion	29	29
Borrowings - short-term portion	88	72
Current trade payables	731	590
Tax payables	149	74
Financial derivatives	71	26
Total current liabilities	1,068	791
Total shareholders' equity and liabilities	6,103	5,270

Income statement

(€ millions)

	2010	2009
Turnover	3,576	2,689
Other income	31	(35)
Cost of products sold	(2,437)	(2,414)
Administrative & selling costs	(155)	(142)
Research & development expenditure	(44)	(39)
EBITDA	971	59
Fixed asset amortisation and depreciation	(225)	(210)
Depreciation expense, provisions	(7)	(12)
Current operating income (expense)	739	(163)
Other operating income and expense	(19)	(104)
Operating income (expense)	720	(267)
Net cost of debt	3	11
Other financial income and expense	(15)	(12)
Share in earnings of affiliates	1	-
Income tax	(255)	7
Net income (loss)	454	(261)
- share of non-controlling interests	126	4
- share of parent company owners	328	(265)
Net (loss) income per share (EUR)	12.43	(10.16)
Net (loss) income per share fully diluted (EUR)	12.40	(10.16)
Net income (loss)	454	(261)
Translation adjustments on financial statements of subsidiaries in foreign currency	63	109
Change in financial instrument reappraisal reserve	(20)	135
Change in fair value of financial assets intended for sale	3	21
Income tax	6	(53)
Other all-inclusive income items	52	212
- share of non-controlling interests	8	20
- share of parent company owners	44	192
All-inclusive income (loss)	506	(49)
- share of non-controlling interests	134	24
- share of parent company owners	372	(73)

Cash flow statement

(€ millions)

	2010	2009
Operating activities		
EBITDA	971	59
Elimination of non-cash or non-business items	(201)	(101)
Cash flow	770	(42)
Net change in operating assets and liabilities	(43)	154
Net cash flow from operating activities	727	112
Investing activities		
Capital expenditure	(326)	(286)
Financial investments	76	11
Disposals of long-term assets	5	3
Changes in accounts payable and liabilities on long-term assets	4	(11)
Consolidation adjustments and financial loans	(11)	(10)
Dividends from equity accounted companies	-	-
Net cash flow used in investing activities	(252)	(293)
Financing activities		
Dividends paid	(152)	(164)
Capital increases	31	74
Net change in working capital with respect to financing activities	-	19
Net cash flow used in financing activities	(121)	(71)
Currency translation adjustments	(5)	65
Increase (decrease) in net cash position	349	(187)
Opening cash (debt) balance	946	1,133
Closing cash (debt) balance	1,295	946

Changes in shareholders' equity

(€ millions)

	Number of shares	Share capital	Pre-miums	Reserves / assets intended for sale	Reserves / financial instruments	Translation	Other reserves	Share of parent company owners	Share of non-controlling interests	Total shareholders' equity
Shareholders' equity as on December 31st, 2008	26,215,231	80	345	(8)	(54)	(132)	2,430	2,661	1,071	3,732
Net income (loss)	-	-	-	-	-	-	(265)	(265)	4	(261)
Translation of financial statements of subsidiaries in foreign currency	-	-	-	-	-	100	-	100	9	109
Change in financial instrument reappraisal reserve	-	-	-	-	78	-	-	78	11	89
Change in fair value of assets intended for sale	-	-	-	14	-	-	-	14	-	14
Other all-inclusive income (loss) items	-	-	-	14	78	100	-	192	20	212
Total all-inclusive income (loss)	-	-	-	14	78	100	(265)	(73)	24	(49)
Dividends paid - €5.25 per share	-	-	-	-	-	-	(136)	(136)	(27)	(163)
Share capital increases	407,467	1	47	-	-	-	26	74	-	74
Share capital reductions	(252,885)	(1)	(51)	-	-	-	-	(52)	-	(52)
Treasury shares	-	-	-	-	-	-	58	58	-	58
Payments in shares	-	-	-	-	-	-	2	2	-	2
Changes in percentages of interests in subsidiaries	-	-	-	-	-	-	-	-	(97)	(97)
Other adjustments	-	-	-	-	-	-	1	1	(1)	-
Total transactions with shareholders	-	-	(4)	-	-	-	(49)	(53)	(125)	(178)
Shareholders' equity as on December 31st, 2009	26,369,813	80	341	6	24	(32)	2,116	2,535	970	3,505
Net income (loss)	-	-	-	-	-	-	328	328	126	454
Translation of financial statements of subsidiaries in foreign currency	-	-	-	-	-	56	-	56	7	63
Change in financial instrument reappraisal reserve	-	-	-	-	(14)	-	-	(14)	1	(13)
Change in fair value of assets intended for sale	-	-	-	2	-	-	-	2	-	2
Other all-inclusive income (loss) items	-	-	-	2	(14)	56	-	44	8	52
Total all-inclusive income (loss)	-	-	-	2	(14)	56	328	372	134	506
Dividends paid - €1.80 per share	-	-	-	-	-	-	(47)	(47)	(105)	(152)
Share capital increases	143,653	1	30	-	-	-	-	31	-	31
Treasury shares	-	-	-	-	-	-	(5)	(5)	-	(5)
Payments in shares	-	-	-	-	-	-	5	5	-	5
Changes in percentages of interests in subsidiaries	-	-	-	-	-	-	67	67	17	84
Other adjustments	-	-	-	(1)	-	-	1	-	-	-
Total transactions with shareholders	-	1	30	(1)	-	-	21	51	(88)	(37)
Shareholders' equity as on December 31st, 2010	26,513,466	81	371	7	10	24	2,465	2,958	1,016	3,974

Processes

Ore beneficiation

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 reserves.

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.

Acid leaching

Processing oxidised nickel ore (laterite) by dissolving it in an acid solution.

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.

Pyrometallurgy

Metal oxide reduction and metal-oxide separation by melting in a blast furnace or electric furnace.

Products

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.

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.

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.

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.

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.

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.

Long products

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

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.

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ERAMET

ALLOYS, ORES AND PEOPLE.

Tour Maine-Montparnasse
33, avenue du Maine
F-75755 Paris Cedex 15

Tel. : (33) 01 45 38 42 42
www.eramet.com