

ANNUAL REPORT

2009



ERAMET

ALLOYS, ORES AND PEOPLE.

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A major player in the production and conversion of alloy metals and high-performance alloys, ERAMET is a world leader in its three specialities:

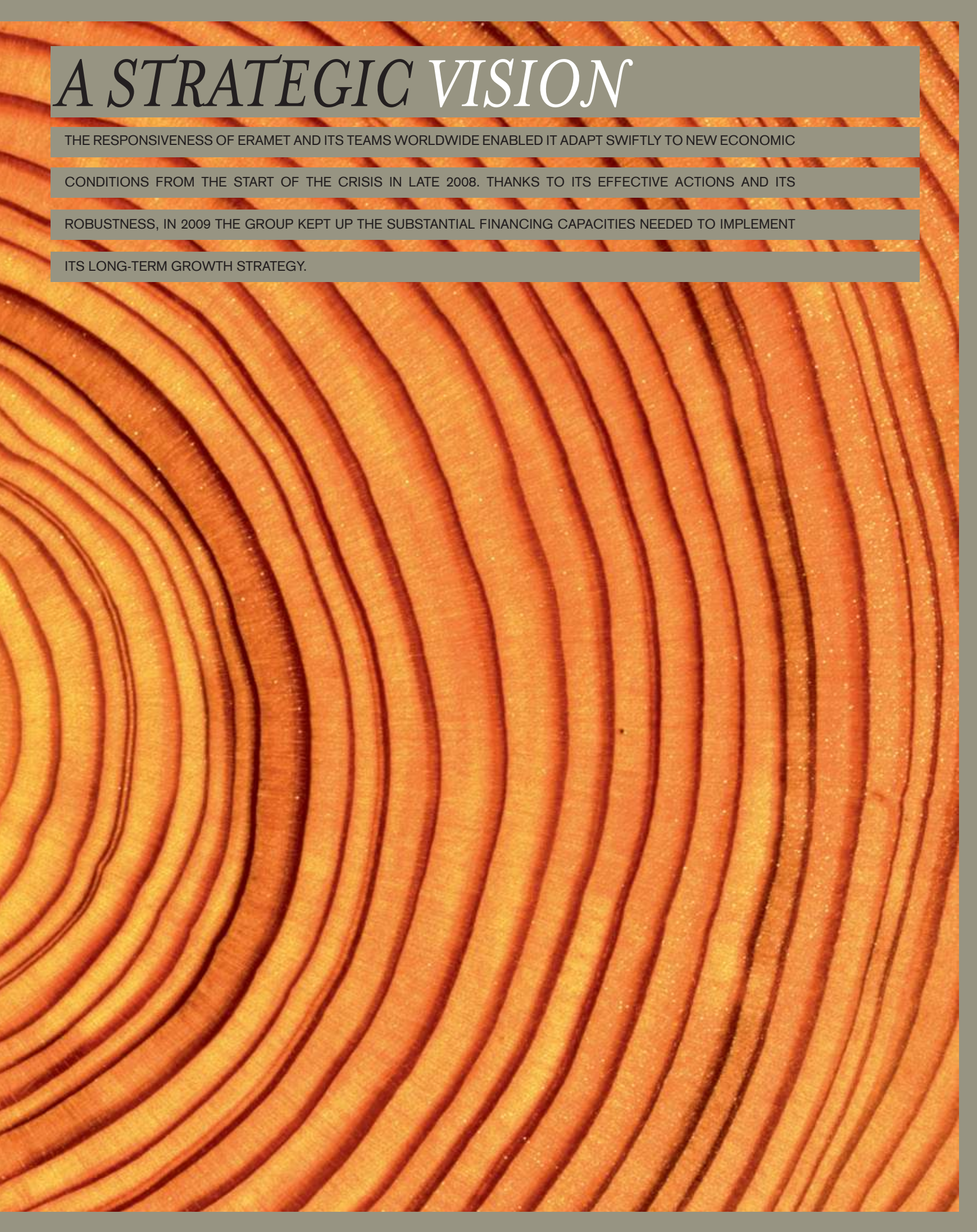
Nickel, Manganese and Alloys. These activities deploy their industrial or commercial bases on several continents, close to their markets. ERAMET has many strengths that ensure its soundness and future success: the skills of its multicultural teams, the quality of its high-tech facilities, the effectiveness of its research & development programmes and the robustness of its finances.

All these advantages enable the Group to serve its customers by meeting their needs and giving them optimum support in their strategies and projects. ERAMET supplies products and services to major groups in the steelmaking, aerospace, power, tooling, chemical and electronics sectors. Through its products and expertise, ERAMET contributes to the creation and dynamism of strategic industries. Wherever it is based, it develops partnerships with states and local businesses, taking into account the various stakeholders' expectations. The Group continues to step up its actions to prevent the environment, control risks, develop its people and respect ethics and its host communities.

All these orientations come under a relevant, effective strategy for long-term growth that will enable ERAMET to benefit without delay from the first signs of an economic upturn.



—
IN INDONESIA THE
FOREST IS PROTECTED.
ON HALMAHERA ISLAND,
ERAMET HAS SET UP
TWO BIODIVERSITY
CONSERVATORIES.

The background of the entire page is a close-up photograph of a wood grain, showing concentric rings in shades of orange, yellow, and brown. The grain is oriented diagonally from the bottom left towards the top right.

A STRATEGIC VISION

THE RESPONSIVENESS OF ERAMET AND ITS TEAMS WORLDWIDE ENABLED IT ADAPT SWIFTLY TO NEW ECONOMIC

CONDITIONS FROM THE START OF THE CRISIS IN LATE 2008. THANKS TO ITS EFFECTIVE ACTIONS AND ITS

ROBUSTNESS, IN 2009 THE GROUP KEPT UP THE SUBSTANTIAL FINANCING CAPACITIES NEEDED TO IMPLEMENT

ITS LONG-TERM GROWTH STRATEGY.

“ GROWTH AND DIVERSIFICATION STRATEGY CONTINUES”

THANKS TO EFFICIENT MANAGEMENT AND GREAT MOBILISATION BY ITS TEAMS, ERAMET WEATHERED THE CRISIS WELL IN 2009, WHILE MAINTAINING HIGH FINANCING CAPABILITIES AND CONTINUING TO MAKE PROGRESS ON ALL ITS MAJOR PROJECTS.

HOW DID ERAMET GET THROUGH THE ECONOMIC CRISIS IN 2009?

Patrick Buffet: After an outstanding 2008 for nine months, from the last quarter we were faced with a sharp fall in our products' sales volumes and prices, which worsened in early 2009. We reacted immediately with the setup of an over €100 million savings plan for 2009, which we then increased to €140 million. We achieved and even exceeded that goal as, excluding the mechanical effect of the drop in business, we saved €172 million. Another sign of the great adaptability shown by ERAMET is that we cut our capital expenditure by over 60% compared with the initial programme defined before the crisis, in order to protect our financial position. Nevertheless, we have not given up our ambitions as our capital expenditure remained at a very healthy €286 million, higher than the average for 2004 - 2007. Thanks to those efforts, the Group ended the year with a high level of net cash at €946 million.

WHAT IMPACT DID THE CRISIS HAVE ON YOUR HUMAN RESOURCES?

P. B.: In that deteriorated climate, we strove to maintain our skills, in some cases when contexts and legislation permitted, by doing away with overtime or not replacing departing employees, with the aim of avoiding redundancies. For all the Group's services, our skills are a great asset: we must protect them, but also share them more and more effectively. That's why our Leaders process matters a great deal to me. One of its goals is to foster the sharing of best practices within the Group. Our resistance to the crisis reflects this: in addition to the relevance of the Group's strategic orientations and its management, it shows how all employees are committed. I want to thank them for that. Moreover, we implement a human resources policy that supports that commitment. In 2009, we set up an employee shareholding programme in every country where we are based.



Patrick Buffet,
ERAMET
Chairman & CEO

DIVERSIFICATION INTO NEW METALS

I72

MILLION EUROS
SAVED IN 2009.

WHAT WERE THE HIGHLIGHTS OF THE YEAR?

P. B.: While adapting management to economic conditions, ERAMET continued to prepare energetically for the future. In Nickel, we continued to modernise the industrial assets and governance of Société Le Nickel (SLN), our subsidiary in New Caledonia. The partnership with Japan's Mitsubishi group also consolidated our project, now in the study phase, for the operation of a new, highly promising deposit in Weda Bay, Indonesia. In Manganese, the acquisition of a 100% stake in Tinfos (of which we acquired 56% in 2008) enabled us to increase our manganese alloy production capacity by approximately 20%. This bolsters our world leadership in refined alloys. At the same time, we decided to build Moanda metallurgical complex in Gabon, an important project for ERAMET that will help to create value locally. The acquisition of Valdi, a French company specialising in non-ferrous metal recycling, makes us stronger in this

business, a new development area for the Group. In Alloys, our partnership with the Kazakh company UKTMP enables us to build an integrated titanium stream. Also in the Alloys activity, we decided to invest in powder metallurgy, another promising avenue. While developing our traditional activities in this way, we have kept up our diversification efforts in new metals in synergy with our businesses. For example, I could mention the partnership in lithium with the Bolloré group and the progress in lab research on designing a process for niobium mining in Gabon. →

“WE HAVE NOT GIVEN UP
ANY OF **OUR AMBITIONS.**”

→ *HOW IMPORTANT IS THAT DIVERSIFICATION?*

P. B.: Diversification based on our know-how is a major issue for us. It is twofold as it concerns the extension of our activities into both new fields of expertise and new geographic areas. In terms of new fields, our strategy is a very selective one. We intend to focus on alloying metals and high value-added alloys, as well as some metals with high growth potential. Their value comes from their scarcity, but also from the difficulty of producing them. We have the skills to do it, which is a decisive strategic advantage. As regards geographic diversification, the aim is to strengthen the Group's ability to weather adverse conditions, which will benefit all its components. For example, if our Weda Bay project can be completed as we hope, we'll have two major, complementary Nickel sites in New Caledonia and Indonesia. We are actively seeking new development opportunities in other metals and other countries. But always in line with our specialties and our mining and metallurgical skills.

2/3

OF TURNOVER
ACHIEVED WITH
THE STEEL
INDUSTRY.

R&D IS A MAJOR
STRATEGIC AXIS.

*HOW WILL YOU IMPLEMENT THIS AMBITIOUS
STRATEGY AND WHAT STRENGTHS CAN YOU
CALL INTO PLAY?*

P. B.: First, we have substantial financial resources. As at the end of 2009, the Group has €946 million in cash and €600 million in stand-by credit negotiated before the crisis, and significant debt capacity, which is rare in the sector. This enables us to seek out and consider examine any strategic acquisition opportunities that could offer synergies with our other activities at a reasonable price in the current economic climate. Moreover, we have sound experience in developing major partnership projects, which lets us carry out several big operations at the same time, in some cases with specific financing contributed thanks to those partners. For example, on February 16, 2010 we signed an agreement for the exploration of lithium deposits in Argentina. Lithium is intended for the production of rechargeable batteries for electric and hybrid vehicles, a particularly promising market for which our partner, the Bolloré group, has developed significant projects. Finally, in addition to our financial resources and strategic partnerships, we have another strength: our technological skills and our world-class research & development.

*HOW ARE YOUR SKILLS A COMPETITIVE
ADVANTAGE?*

P. B.: ERAMET is a mining and metallurgical group with expertise in depth in two areas. For ERAMET, research and development are a crucial component of our current and future competitiveness. Unlike many groups, we have our own research centre, in Trappes, France. R&D is intended to give us a competitive edge in terms of both processes and products, while factoring in the demands of sustainable development. Hydrometallurgical processes are an example. These are the most relevant way of processing future polymetallic deposits that contain metals which are especially difficult to mine.

IN EARLY 2010, HAS THE ECONOMIC CLIMATE BECOME FAVOURABLE TO THE DEVELOPMENT OF THESE PROJECTS AGAIN?

P. B.: After a first-half 2009 where the Group recorded a loss, the second half shows the return to positive current operating income. Market conditions improved recently with an upturn in orders for manganese and nickel. Visibility remains low, however.

For Manganese and its main outlet, carbon steel, it's hard to tell what comes from the end of inventory reduction and what comes from the great efforts made under stimulus plans, particularly in China.

For Nickel, prices fell sharply before climbing back to approximately \$8.50 per pound on the LME in January 2010 and global inventory remains very high. So another downturn in prices cannot be ruled out.

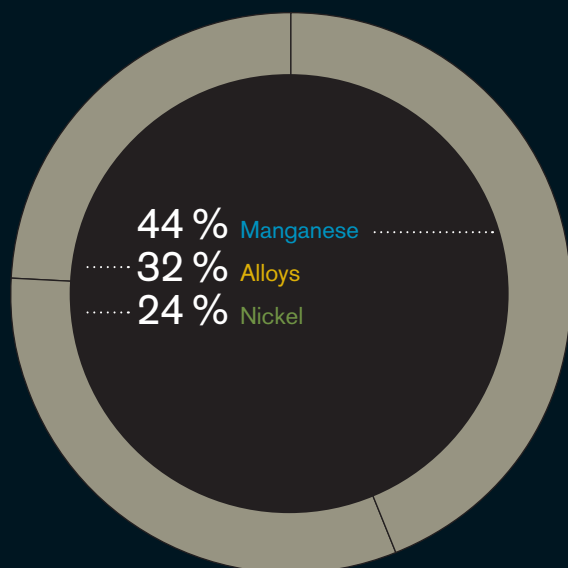
2010 will remain a difficult year for our Alloys activity. But in the longer term, products for aerospace and power generation, two major outlets for ERAMET Alloys, still have major growth potential.

The steel industry represents approximately two thirds of our sales outlets. Half the world's consumption of steel comes from the construction sector, driven by growing urbanisation in emerging countries. Most other steel-consuming industrial sectors in those countries are also expected to grow substantially because of great demand stemming from increases in standards of living. Our businesses, therefore, are part of a promising medium and long-term structural trend. •



FINANCIAL SOUNDNESS SUSTAINED DESPITE THE CRISIS

Hit from late 2008 by an unprecedented fall in orders caused by the global economic crisis, ERAMET succeeded in keeping its financial situation sound in 2009 thanks to the responsiveness and mobilisation of all its teams. This tight management enables the ERAMET Group to maintain its medium and long-term growth ambitions.



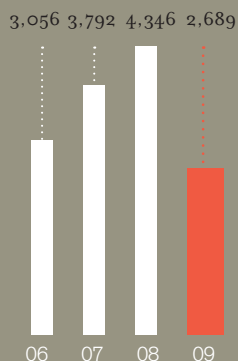
TURNOVER
BY DIVISION (%)



TURNOVER
BY GEOGRAPHIC
ZONE (%)

TURNOVER

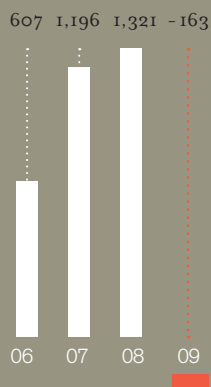
(€ millions)



A YEAR MARKED BY THE GLOBAL CRISIS BUT AN IMPROVEMENT IN THE 2ND HALF OF 2009.

CURRENT OPERATING INCOME (LOSS)

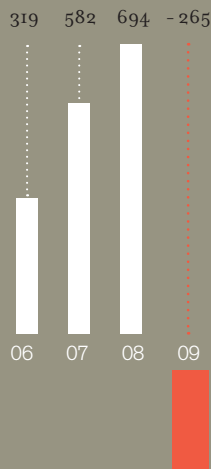
(€ millions)



CURRENT OPERATING (LOSS) OF -€163 MILLION IN 2009, BUT INCOME OF +€60 MILLION IN THE 2ND HALF.

NET INCOME (LOSS), GROUP SHARE

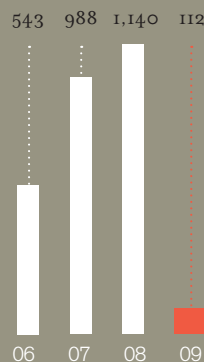
(€ millions)



GROUP SHARE OF NET INCOME (LOSS) DOWN TO -€265 MILLION, BUT IMPROVING TO -€52 MILLION IN 2ND HALF OF 2009.

NET OPERATING CASHFLOW

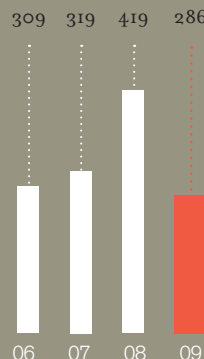
(€ millions)



POSITIVE CASH MAINTAINED THANKS TO THE MEASURES TAKEN BY THE GROUP IN RESPONSE TO THE CRISIS.

CAPITAL EXPENDITURE

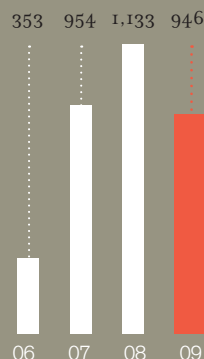
(€ millions)



CONTROLLED CAPITAL EXPENDITURE THAT SAFEGUARDS THE FUTURE.

CONSOLIDATED NET CASH

(€ millions)



VERY HEALTHY NET CASH MAINTAINED AT YEAR-END 2009 (€946 MILLION).

DEMANDING, TRANSPARENT GOVERNANCE

ERAMET's corporate governance

meets the latest and highest standards on the issue.

The Group's concern for efficiency and transparency extends to all its subsidiaries.

In accordance with the decision of its Board of Directors on December 9th, 2008, ERAMET refers to the December 2008 Afep/Medef code of corporate governance for listed companies. This code consolidates the October 2003 report by Afep and Medef and their recommendations of January 2007 and October 2008 on the compensation of executive corporate officers. ERAMET's Board of Directors has adopted a conventional management method, with a Chairman & CEO taking on both the executive management and the chairmanship of the Group. Under the Board's statutes, "no decision on the company's major strategic, economic, financial or technological orientations may be made without prior discussion by the Board."

THE EXECUTIVE COMMITTEE, THE MAIN DECISION CENTRE

The Executive Committee (Comex), chaired by Patrick Buffet, is the main decision centre for the Group and its activities. In addition to the Chairman & CEO, it is comprised of the three Division managers (ERAMET Nickel, ERAMET Manganese, ERAMET Alloys), who are also Delegate CEO's, the Chief Financial Officer, the Vice-President Human Resources and the Vice-President Communications and Sustainable Development. Some Comex members are responsible for a strategic cross-Group function: research & development, informa-

I7

EXECUTIVES
MAKE UP THE
INTERNATIONAL
MANAGEMENT
COMMITTEE (IMC).

tion systems, purchasing, internal audit, management control and legal. In this way, the Comex is directly connected with all the Group's line and support activities and functions. It gives clear information on ERAMET's strategic choices, both internally to employees and externally to partners and stakeholders, and regularly reviews high-potential managers.

Monthly Division meetings, also chaired by the Chairman & CEO, are other major decision centres. They provide an opportunity to track monthly reporting and define essential operating choices for the Group's various activities.

THE INTERNATIONAL MANAGEMENT COMMITTEE, A FORUM FOR DIALOGUE AND SHARING

Also chaired by Patrick Buffet every quarter, the International Management Committee (IMC) brings together the members of the Comex, the CEO of Erasteel, the CEO of Aubert & Duval, the Chairman of ERAMET International, the Delegate CEO of SLN, the CEO of Comilog, Manganese business unit heads, the Leaders programme director, the director of ERAMET in China and the director of research & development, innovation, engineering and purchasing.

The IMC's role is to support the Group's firm international development by facilitating the sharing of information and experience between teams. •

Close-up

THE ERAMET GROUP AND ITS MAIN SUBSIDIARIES



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
& Sustainable Development



MICHEL CARNEC (since December 1st,
2009) – Executive Vice-President,
Human Resources, Health & Safety



DOMINIQUE FRANCHOT (until November
30th, 2009) – Executive Vice-President,
Human Resources, Health & Safety

INTERNATIONAL MANAGEMENT COMMITTEE in 2009

IN ADDITION TO THE MEMBERS OF THE COMEX,
THE IMC IS COMPRISED OF THE FOLLOWING INDIVIDUALS:

MARCEL ABÉKÉ
Director & CEO, Comilog SA (Gabon)

PIERRE ALLA
Delegate CEO, SLN (New Caledonia)

BENOÎT BIED CHARRETON
Leaders programme director

FRANÇOIS BOUR
CEO, Manganese Ore-Alloys BU

JOSEPH CHANG
Chairman & CEO, Eramet China

ÉDOUARD DUVAL
Chairman, ERAMET International

JEAN-MICHEL FOURCADE (since December 1st)
Director, research & development, innovation,
engineering and purchasing

PHILIPPE GUNDERMANN
CEO, Aubert & Duval

VICTOR POLARD
CEO, Erasteel

ALAIN PRADOURA
CEO, Manganese Chemistry - Recycling –
Special Products BU

CHAIRMAN'S OFFICE

PHILIPPE JOLY
Vice President Strategy
and Investor Relations

VINCENT TRELUT
(from October 2009)
Vice President, Development

INDEPENDENCE OF THE BOARD AND ITS COMMITTEES

Beyond the organisation of its management,
ERAMET's transparency standards are reflected in the way the work of the Board of Directors
and its committees are organised and in internal control actions.

In accordance of the shareholders' agreement of June 17th, 1999, amended on May 29th, 2008, between Sorame and CEIR on one hand and AREVA on the other, the Board of Directors is comprised of 15 members appointed for a four-year term: the Chairman, five directors put forward by the Sorame-CEIR group, three directors put forward by AREVA, two directors put forward by STCPI, four "qualified person", two of whom are put forward by the Sorame-CEIR group and two by AREVA, "in consideration of their skill and independence with regards to the party that puts them forward and the company itself, in accordance with the recommendations of the Viénot report" (terms of the shareholders' agreement).

The Afep-Medef report considers that a director is independent "when he or she maintains no relations of any kind whatsoever with the company, its group or its management that may compromise the exercise of his or her freedom of judgement." This report also determines certain criteria for independence. Since the general meeting of May 13th, 2009 and the appointment of a 15th member, the Board thus includes five independent directors, i.e. one third of members, in accordance with the recommendations of the Afep-Medef code.

Moreover, the Board of Directors, meeting on April 12th, 2000, decided to offer two censor positions to the Group's employees, in addition to works council representatives. They are appointed upon the proposal of the European works council for a period of four years.

Close-up

INDEPENDENCE AT THE HEART OF THE DIRECTOR'S CHARTER

The ERAMET Director's Charter, adopted in 1999, specifies his or her mission and obligations. Whether appointed as an individual or representing a legal entity, every new director abides by it. The Charter particularly emphasises his or her competence, right to information and duty of keeping him/herself informed, presence at Board meetings and independence. Board

members must also ensure there is no conflict of interests, whether directly or indirectly, between the Group and any company where he or she may hold a position. Any such situation must be notified to the Board and lead, as the case may be, to a refusal of appointment or a resignation (structural conflict), or to abstention (non-recurring conflict). In the event that significant

unpublished information is held, Directors are also reminded of the obligation to maintain professional secrecy and abstain from transactions on the Company's securities. Since 2005, this rule of abstaining from security transactions has been the subject of a procedure that applies to corporate officers and senior managers, of whom the list is regularly updated.

AUDIT COMMITTEE

The regularly updated audit committee charter sets down, in addition to legal missions, the composition, workings, assignments and its members' compensation. The committee checks the relevance and correct application of the accounting methods used, examines internal audit plans and findings, analyses the semi-annual and annual financial statements, exchange rate management policy, raw materials, hedging and investments.

In 2009, it met twice with a 100% member attendance rate. Its composition as on December 31st, 2009 was as follows: Gilbert Lehmann, Michel Somnolet (independent director) and Antoine Treuille (independent director).

COMPENSATION COMMITTEE

Comprised of three directors, two of whom are independent, the committee may be assisted by the Group Executive Vice President Human Resources. It makes proposals to the Board of Directors on the fixed and variable compensation of the corporate officers according to the results achieved and their goals.

SELECTION COMMITTEE

The committee makes recommendations to the Board on the appointment of the corporate officers at the head of each of the Group's three operating activities.

INTERNAL CONTROL

The audit plan provides for regular control of all Group companies (approx. 40 entities), which benefit from an in-depth diagnosis as well as action and improvement plans monitored by the Comex. •

Close-up

A CODE OF ETHICS

Building on its values and in response to its global issues, ERAMET adopted in 2009 a Code of Ethics founded on responsibility, citizenship, integrity and respect for individuals. It matters to the Group that everyone behaves in an exemplary way in all

circumstances, from the Board of Directors to all employees. The Group also encourages all its partners (suppliers, contractors, sales agents, etc.) to share those high standards.

COMPOSITION OF THE BOARD OF DIRECTORS

(AS ON DECEMBER 31ST, 2009)

PATRICK BUFFET
Chairman & CEO

DIRECTORS

RÉMY AUTEBERT
Member of the International Committee, AREVA

GEORGES DUVAL
Manager, Sorame (Vice-Chairman and Delegate CEO, ERAMET)

ÉDOUARD DUVAL
Chairman of Management Board, Sorame
Chairman of ERAMET International

CYRILLE DUVAL
Manager, Sorame
General Secretary, Alloys Division

PATRICK DUVAL
Chairman, CEIR

PIERRE FROGIER
Chairman of the Assembly, Southern Province, New Caledonia
Member of Parliament

PIERRE-NOËL GIRAUD
Lecturer, École Supérieure des Mines de Paris (independent director)

GILBERT LEHMANN
Member of the Supervisory Board, AREVA

JEAN-HERVÉ LORENZI
Member of the Conseil d'Analyse Economique (government economic advisory board), economics lecturer, Paris-Dauphine university (independent director)

LOUIS MAPOU
Chairman, STCPI (New Caledonia)

JACQUES ROSSIGNOL
Former CEO, Safran and Arianespace (independent director)

MICHEL SOMNOLET
Former Director, Vice-Chairman and Chief Financial Officer, L'Oréal (independent director)

ANTOINE TREUILLE
Chairman, French American Foundation and Executive Managing Director, Altamont Capital partners LLC (independent director)

AREVA (represented by FRÉDÉRIC TONA)
Former chargé de mission reporting to the Chairman & CEO, AREVA

YVES RAMBAUD
Honorary Chairman

CENSORS

BERTRAND FRÉART

DANIEL SIGNORET

GROUP WORKS COUNCIL DELEGATES

CHRISTIAN DETREILLE

CLAUDINE GROSSIN

DIDIER JACQ

YANN GOURVIL

JANUARY 2009

LEAN MANAGEMENT EXTENDED

In a context of economic crisis, lean management is a highly effective approach for simplifying processes to the maximum, optimising production cycles and information flows and reducing costs accordingly. Already rolled out in several ERAMET subsidiaries, particularly in the Alloys division, the process has been extended to other sectors and to support services. By closely involving the relevant teams, lean management can obtain spectacular results, in terms of both cycle time reduction and continuous performance improvement. The method, therefore, forms a particularly effective crisis management tool.



FEBRUARY 2009

Partnership with Mitsubishi for Weda Bay

On February 19th, 2009, ERAMET signed a partnership agreement with Mitsubishi Corporation. Its goal is the joint, long-term development of the Weda Bay project. The acquisition of P.T. Weda Bay Nickel in Indonesia in May 2006 enabled ERAMET to double its nickel production. This was made possible by an innovative hydrometallurgical technology developed by ERAMET Research, the Group's research centre. Technical studies are in progress with a decision planned for late 2011 or in 2012.

FEBRUARY 2009

Partnership with Bolloré for a lithium project

While in France, Bolivia's president Evo Morales visited the Bolloré group's testing centre in Vaucresson where he tried out the Blue Car, the prototype for a ground-breaking electric vehicle. With bodywork designed by Pininfarina, the Blue Car has the particularity of running on a particularly reliable and efficient lithium battery. The visit put the spotlight on this full-scale development project. From that perspective, Bolloré signed a partnership with ERAMET. The aim is to acquire a lithium deposit that will enable the former to secure its supply and the latter to extend its activities into a new, high value-added metal.



APRIL 2009

MAJOR AGREEMENT IN TITANIUM FOR AUBERT & DUVAL

On April 10th, Aubert & Duval and its Kazakh partner UKTMP, in front of elected representatives in the Auvergne region, announced the creation in Saint-Georges-de-

Mons, France of UKAD, a new titanium conversion unit. Its vocation is to manufacture and sell titanium products for the aerospace market (landing gear, wings,

fuselage, etc.). Built in 2010 and 2011, the unit should start production in September 2011. This €47M project has won the support of Airbus and EADS with a contract

signed guaranteeing UKAD approximately \$1 billion in manufacturing business through to 2020.



Patrick Buffet lays the first stone in the presence of the late President Omar Bongo.

APRIL 2009

FIRST STONE LAID FOR MOANDA **METALLURGICAL COMPLEX**

A 67% ERAMET subsidiary, Comilog continues to invest in Gabon with two plants being built on the same site: one for metal silico-manganese (capacity 65,000 tons per year), the other for manganese metal (capacity 20,000 tons per year). The complex will benefit from the Gabonese government's construction of a new hydroelectric power plant as part of the improvement of the

national electricity grid. The approximately €200 million investment in Moanda metallurgical complex will be spread over the 2009-2013 period. The project is a milestone in ERAMET's long-term development in Gabon and reflects its commitment to create value, know-how and jobs in the country.

20%

INCREASE IN
MANGANESE
ALLOY
PRODUCTION
CAPACITY
THANKS TO
ERALLOYS.

JUNE 2009

100% stake in **Eralloys**

After acquiring the 5.7% remaining minority interests on June 24th, ERAMET increased its stake in Eralloys Holding AS to 100%. Eralloys holds the manganese alloy and titanium dioxide alloy production activities previously held by the Norwegian company Tinfos AS, in which ERAMET acquired a majority stake on July 30th, 2008. Following that investment, Tinfos AS was split to separate its electricity generation assets from the activities grouped together in Eralloys. On May 13th, 2009, ERAMET had increased its interest in Eralloys to 94.3% and reduced its stake in Tinfos-Notodden to 34%. This acquisition means a 20% increase in ERAMET's manganese alloy production capacity, particularly in refined alloys, a strategic priority. It also enables it to grow in new activities such as titanium dioxide production.





JUNE 2009

Taking off at Paris Air Show

Aubert & Duval were at the Paris Air Show from June 15th to 21st to meet customers and seize the opportunity for fruitful technical and commercial discussions in a context of crisis. More than 150 customers took up the invitation. Erasteel also took part in the event to showcase powder metallurgy.

150

AUBERT & DUVAL
CUSTOMERS AT THE
PARIS AIR SHOW

65,000

tons

SLN'S
PRODUCTION
TARGET FOR
2014.

NOVEMBER 2009

IMPROVED COMPETITIVENESS, MODERNISED GOVERNANCE IN NEW CALEDONIA

On November 19th, an important Board meeting of SLN, ERAMET's New Caledonian subsidiary, was held in Nouméa. Details of the productivity improvement plan were given: optimum output estimated at 65,000 tons, the new goal for 2014; €90M savings on a full-year basis vs. 2008 at constant economic conditions; target workforce 2,100. The Group is examining major projects in New Caledonia, particularly the construction of a new thermal power plant for the Doniambo site. Finally, SLN's governance was modernised with the creation of strategic, audit and appointments committees and even closer involvement of STCPI (New Caledonian Provinces).



NOVEMBER 2009

START OF WORK AT GUILIN (China)

As the former Guilin site was being swallowed up by the city and has ageing facilities, ERAMET decided to build a new, completely redesigned plant. Blast furnaces will be replaced by electric ones, making

the production of refined manganese alloys possible. These are used to make flat steels, for which demand is growing sharply in China, particularly for vehicle manufacturing.

DECEMBER 2009

First ISO 14001 certification in China

The Tianjin unit reached its goals and obtained ISO 14001 environmental certification in 2009, ERAMET's first Chinese facility to do so. This success comes on the heels of the other ISO 14001 certificates achieved during the year at Les Ancizes, Issoire and Imphy (France) and Tampico (Mexico).

OHSAS 18001

THE SANDOUVILLE AND IMPHY SITES OBTAINED THIS CERTIFICATION IN ADDITION TO ISO 14001



DECEMBER 2009

Agreement to acquire Valdi

Signed on December 11th with the AFE group, the agreement for the acquisition of the French company Valdi will make ERAMET stronger in non-ferrous metal recycling. Founded in 1997, Valdi has three activities: recycling batteries, recycling oil catalysts and processing other metal waste. Employing around 90 people on two sites in France, Le Palais-sur-Vienne near Limoges and Feurs near Saint-Étienne, Valdi posted turnover of €25 million in 2008. The acquisition is a good fit with the Group's activities in oil catalyst

recycling, a sector where it is world leader through its US subsidiary Gulf Chemical & Metallurgical Corporation. It will also allow ERAMET to develop metal waste recycling and remelted products for its Alloys division and external customers. In addition, ERAMET gains a foothold in battery recycling, a market that is set to grow with changes in European legislation and the spread of electric vehicles. The European leader in alkaline and saline battery recovery, Valdi is also active in industrial battery recycling.

JANUARY 2010

SUSTAINABLE DEVELOPMENT POLICY ADOPTED

ERAMET's sustainable development policy has been formalised following in-depth thinking on its issues, its responsibilities, its activities' social, environmental and economic impacts and its stakeholders' expectations. The policy's adoption by the Board of Directors makes the many actions taken by the company in recent years more consistent and meaningful. In addition, it fosters the emergence of new approaches and, more generally, the incorporation of the latest standards on every aspect into the design of all ERAMET's projects and actions worldwide.



PROMISING MARKETS DRIVEN BY CHINA AND EMERGING COUNTRIES

ERAMET is a world leader in its two areas of activity, alloying metals (manganese, nickel, etc.) and high-performance alloys. The Group is also looking into developments in some niche metals with high growth potential such as lithium. Thanks to the substantial needs of China and emerging countries, the Group's businesses are profitable over the long term.

Alloying metals give steel its full value. ERAMET's primary area of business, alloying metals are added to the composition of steel to improve its quality and improve its properties: corrosion and abrasion resistance, hardness, mechanical strength at high temperatures (see below), etc. More than two-thirds of the Group's turnover is achieved with the steel industry. Manganese goes into all types of steel, particularly carbon steel, whereas stainless steel is the main market for nickel.

Although they are invisible to end users, alloying metals add substantial value by improving steel's performance under the constraints it constantly undergoes in its various applications (construction, transport, domestic appliances, industrial equipment, etc.). Better still, they contribute to sustainable development, particularly by extending the lifespan or cutting the weight of the parts they are added to (lower quantities of raw materials used, lower energy consumption in transport). Alloying metals together account for approximately 15% of the value of all steel grades produced worldwide, which is more than iron ore. The ERAMET Group has the world's third largest portfolio of alloying metals.

50%

OF THE
WORLD'S STEEL
IS PRODUCED
IN CHINA.

HIGH-PERFORMANCE ALLOYS: TECHNOLOGICALLY ADVANCED PRODUCTS UPSTREAM OF STRATEGIC INDUSTRIES

In its second major area of activity, high-performance alloys, ERAMET is at the top of the steel value pyramid. Its superalloys, high-strength steels with advanced characteristics and metal powders are upscale products containing high proportions of alloying metals. The production of these high-performance alloys calls for technological expertise and tools that few global players have, for both their metallurgical production and their conversion by processes such as forging and closed die-forging. In this sector, ERAMET is upstream of high-tech strategic industries such as aerospace, nuclear power and defence. It maintains close technological relations with these sectors for the joint development of new, high value-added products.

NEW NICHE METALS WITH HIGH DEVELOPMENT POTENTIAL

Furthermore, ERAMET is examining developments in niche metals with high growth potential, such as lithium. Its use at the heart of rechargeable batteries makes it a strategic product. The market for lithium is likely to grow with the global boom in electric and hybrid vehicles.

Close-up

MANGANESE AND NICKEL: A RICH COMBINATION OF PROPERTIES

Manganese strengthens the carbon steels used in construction, works of art and automotive bodywork. Stainless steel is chosen for its corrosion resistance

and ductility. These contributions are enhanced by the quality of ERAMET's products: high-grade ores that are easier to process, and

refined manganese and nickel alloys for more uprange products, which are winning an increasing share, particularly in China.

MARKETS WITH LONG-TERM GROWTH DRIVEN BY EMERGING COUNTRIES

ERAMET's positioning on high value-added metals and alloys benefits from a favourable long-term momentum. After the post-war boom then a stagnation period between the two oil crises, global steel consumption →

Despite the crisis, the Chinese market continued to grow in 2009. Chinese output of carbon steel represents approximately half the world's production.



→ resumed significant growth from around 2000 to the current crisis. That momentum is likely to continue into the long term, beyond the crisis, thanks to the ongoing development of emerging countries. There is a huge need for steel and alloy components in those countries, whether for construction and infrastructures due to widespread urbanisation, industrial development or energy programmes.

Moreover, while the crisis hit developed countries (Europe, United States and Japan) extremely hard, China and India continued to grow in 2009 and many other emerging countries held out much better in the rest of Asia and in Latin America and the Middle East. The decoupling of emerging and developed countries was thus intensified (see diagram below).

Steel consumption per capita in China is still far below the levels observed in other major developed countries, particularly Japan. After China, India is a significant growth vector. There is still great potential for stainless steel, which grows faster at higher GDP rates than carbon steel.

Moreover, on the aerospace market, the main outlet for ERAMET's Alloys business, annual growth in air traffic is likely to average 4-5% over the long term, driven by the globalisation of trade and the development of emerging countries.

ERAMET: KEY ADVANTAGES FOR BENEFITTING FROM THE GROWTH OF EMERGING COUNTRIES

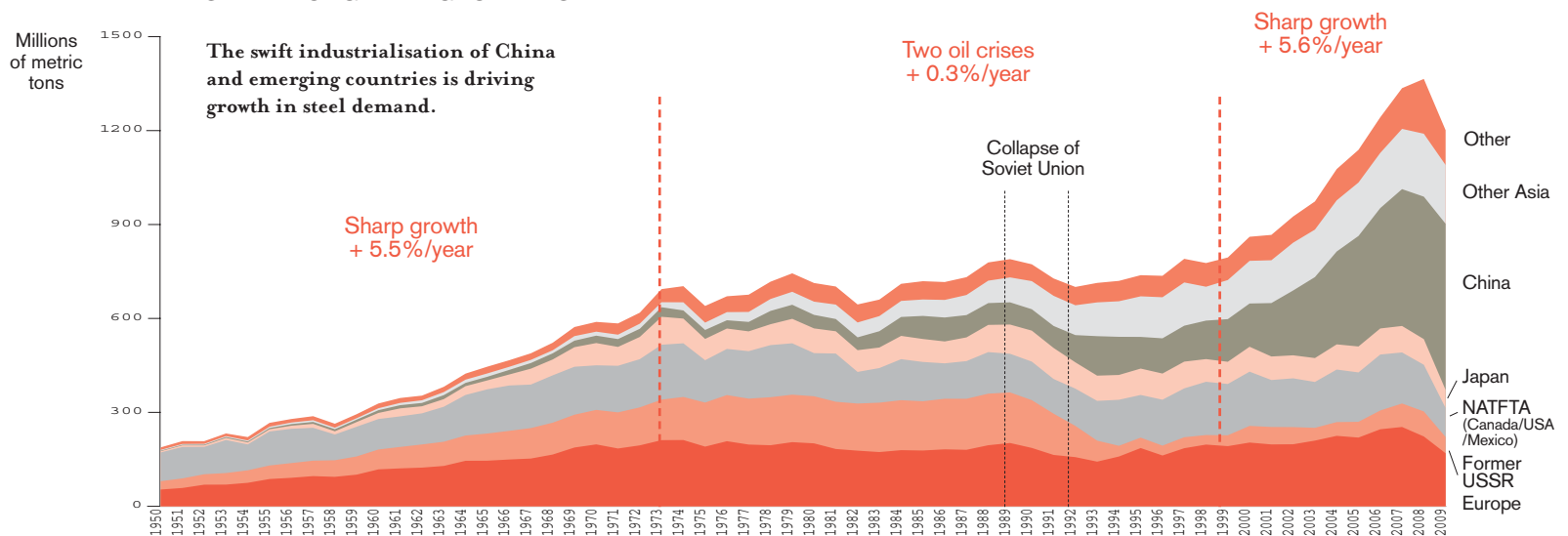
ERAMET is in a particularly strong position to take advantage of that long-term growth. The Group has world-class nickel and manganese mineral deposits in terms of both grade and quantity. For both metals, China depends heavily on imports. Moreover, ERAMET has front-rank technological skills, particularly in the Alloys division's businesses, for both alloy production, especially in powder metallurgy, and high-power closed die-forging of critical parts. These skills, as well as the great complexity of qualification processes with aerospace industries, which form entry barriers to those markets for others, enable it to stand out.

THE GROUP MAINTAINS ITS MEDIUM AND LONG-TERM GOALS

In those different activities, ERAMET reacted swiftly to protect its financial health, mainly by reducing its output and rolling out effective cost reduction programmes. That efficiency enabled it to maintain the healthy cash levels needed to continue its capital expenditure and growth strategy and benefit from the upturn. •

Close-up

MARKETS WITH LONG-TERM GROWTH: STEEL





Salar Maricunga (Chile).
South America's salt flats
contain substantial lithium
reserves.

SWIFT, EFFECTIVE RESPONSE TO THE CRISIS, FINANCIAL HEALTH PROTECTED

ERAMET went into the crisis with a sound financial situation.

Thanks to tight management, the Group got through the period successfully and maintained that advantage.

As well as its financial health, ERAMET owes its ability to weather adverse conditions to very tight management. When the crisis broke out in autumn 2008, the entire Group rallied to defend its financial situation. To avoid piling up inventory and eating into cash, output was reduced in all three divisions. In Manganese, ore production was reduced to around 40% of capacity in early 2009, while, nickel production in New Caledonia was reduced to approximately 80% of capacity.

A SWIFT, EFFECTIVE RESPONSE TO THE CRISIS

The €100 M cost reduction programme set up in early 2009 was raised to €140 M. The efforts made enabled ERAMET to exceed that goal and save €172 M. This was made possible, among other measures, by terminating agency work contracts, in-sourcing selected sub-contracted activities and part-time working. In countries where part-time working measures are not taken, such as Sweden, redundancies had to be made with support programmes for the people affected.

Close-up

TANGIBLE RESULTS FOR LEAN MANAGEMENT

With the aim of improving efficiency throughout the company, lean management enables ERAMET to avoid duplication, shorten manufacturing cycles, limit inventory, streamline flows and address problems arising from malfunctions in the field. That's why it is being implemented at ERAMET, particularly in the Alloys Division at

Aubert & Duval, where manufacturing involves many complex stages. The process is currently being extended to the Group's other activities. In 2009, more than 90 projects were carried out on Aubert & Duval's different sites. They helped to cut inventory substantially and exceed the cost reduction target. Lean management also fosters

commitment from personnel on every level. Meetings are held every morning on safety, quality and production. In this way, everyone can contribute to problem-solving. Involving all employees in collective success also improves the workplace atmosphere.

However, this approach was far from the only one used. Cash was also protected by extensive working capital reduction measures and developing the lean management process, especially in the Alloys division. Finally, capital expenditure programmes were adjusted downwards from the very ambitious goals set before the crisis, without sacrificing the long term. The Group's capital expenditure goal for 2009 was approximately halved compared with the initial objective but, at more than €286 M, it still safeguards the future.

COMPETITIVENESS IMPROVEMENT PLAN FOR SLN

In Nickel, the crisis emphasised the need to improve productivity to competitors' average standard. An ambitious program to reduce costs by €90 M by 2012 was examined with employee representation bodies for SLN in New Caledonia. The competitiveness improvement project includes a wide array of cost-saving and productivity gain measures. The plan entails reducing the workforce from approximately 2,400 to 2,100 in 2012.

FINANCIAL RESOURCES ON A PAR WITH AMBITIONS

The effectiveness of these actions and the management set up by ERAMET enabled the Group to keep €946 M in cash at the end of 2009. Combined with its balance sheet and debt capacity, including €600 M in stand-by commitments, the Group has the resources to implement its growth strategy and ambitious goals. •



38% of stainless steel
is produced in China.

“
THROUGH ITS
MINING, INDUSTRIAL
AND COMMERCIAL
ACTIVITIES, *THE ERAMET
GROUP DEPLOYS ITS UNITS*
AND 15,000 EMPLOYEES IN
MORE THAN *20 COUNTRIES*
ON EVERY CONTINENT.

UNITED STATES

• 5 plants:

- Baltimore (manganese chemistry)
- Butler (production of ferromolybdenum and ferrovanadium)
- Freeport (oil catalyst recycling to produce vanadium and molybdenum)
- Marietta (production of manganese alloys and special products)
- New Johnsonville (manganese chemistry)
- 2 Erasteel plants (high speed steels):
- Boonton
- Romeoville (service centre)

CANADA

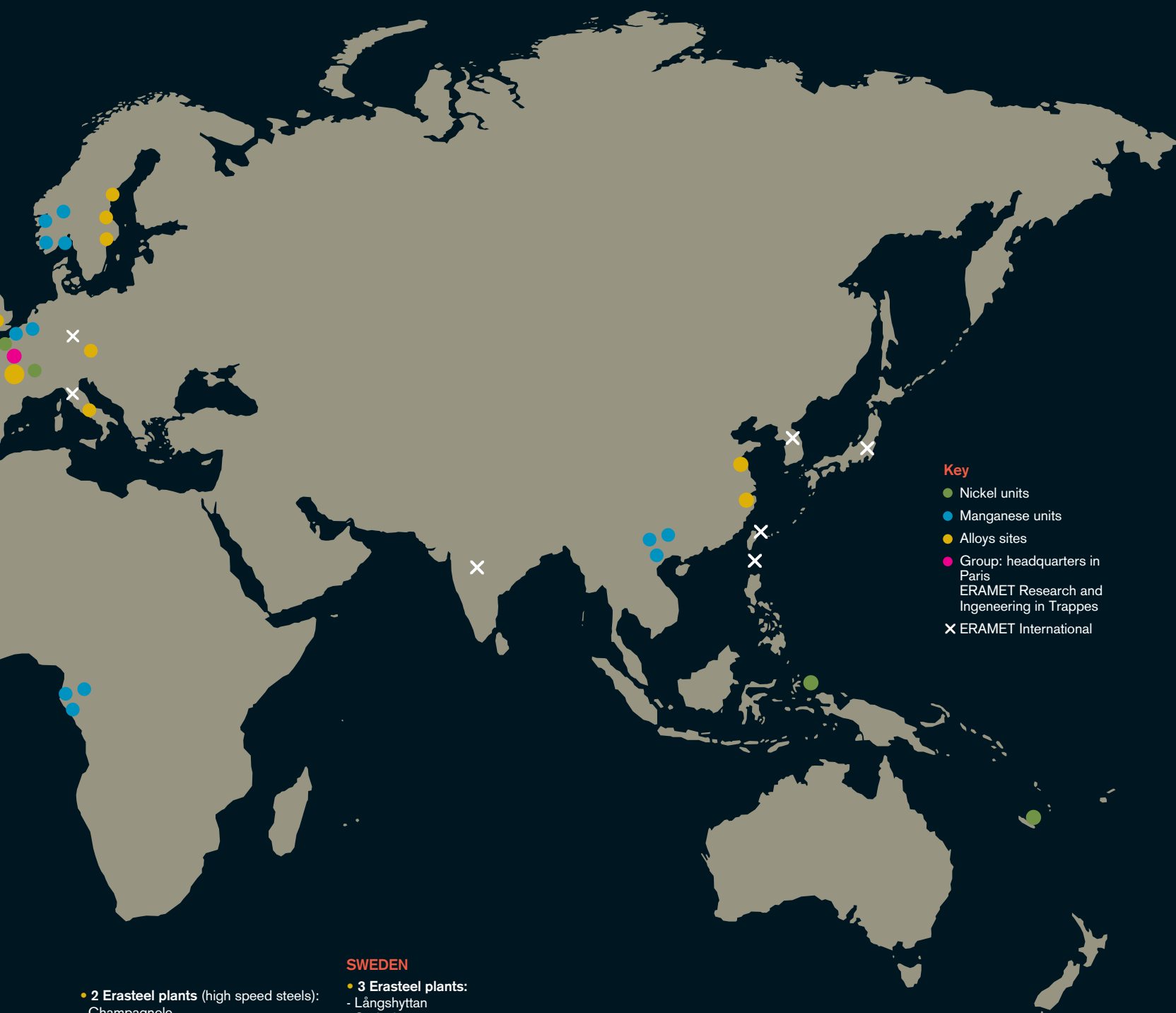
- Fort Saskatchewan, Alberta plant (oil catalyst recycling facility)

MEXICO

- Tampico plant (manganese chemistry)

FRANCE

- Dunkirk plant (manganese alloy production)
- Le Palais plant (catalyst recycling)
- Feurs plant (battery recycling)
- Eurotungstène Grenoble plant (production of metal powders, e.g. cobalt, pre-alloys, tungsten)
- Sandouville-Le Havre plant (production of cobalt and high-purity nickel)



Key

- Nickel units
- Manganese units
- Alloys sites
- Group: headquarters in Paris
- Eramet Research and Engineering in Trappes
- ✕ Eramet International

- **2 Erasteel plants** (high speed steels):
- Champagnole
- Commentry

- **6 Aubert & Duval plants** (closed die-forging, long products, tooling, unit parts):
- Firminy
- Gennevilliers
- Imphy
- Issoire/Interforge
- Les Ancizes
- Pamiers/Airforge

- **1 Aubert & Duval distribution centre** (special steels):
- Heyrieux

GERMANY

- **Stahlschmidt distribution centre**

ITALY

- **ADES distribution centre**

SWEDEN

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

UNITED KINGDOM

- **1 Erasteel plant** (high speed steels):
- Warrington

NORWAY

- **3 plants** (manganese alloy production):
- Porsgrunn
- Sauda
- Kvinesdal
- **Tyssedal plant** (titanium dioxide production)

GABON (Comilog)

- Moanda mine and sintering plant
- Owendo logistics site
- Setrag: railway operating concession

BELGIUM

- **Tertre plant** (manganese chemistry and copper solution recycling)

CHINA

- **1 Aubert & Duval distribution centre:**
- Wuxi
- **1 Erasteel wire drawing plant** (high speed steel):
- Tianjin
- **2 plants** (manganese alloy production):
- Guilin
- Guangxi
- **Chongzuo plant** (manganese chemistry)

INDONESIA (Halmahera Island)

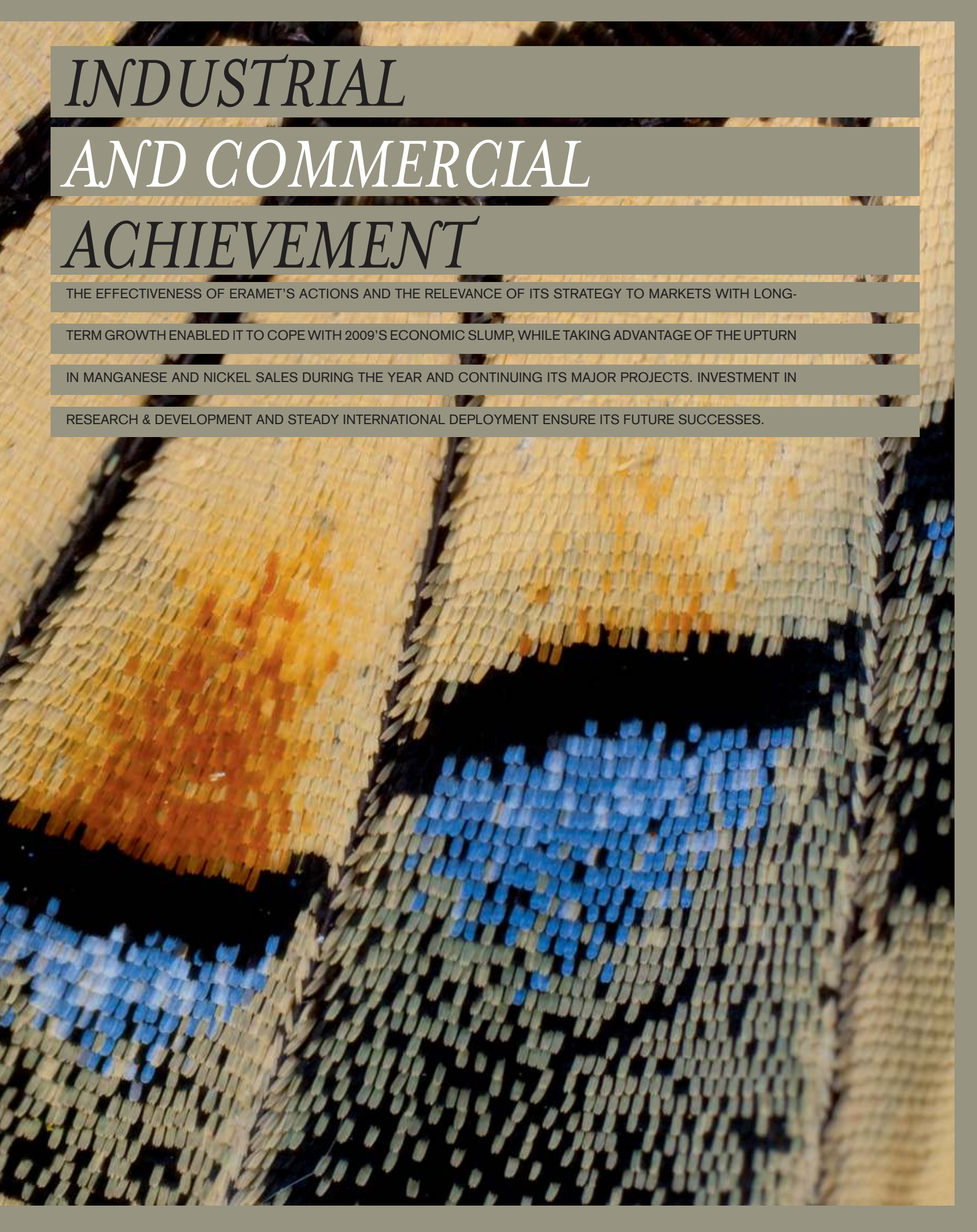
- **Weda Bay nickel deposit**

NEW CALEDONIA (Société Le Nickel-SLN)

- **5 mines:**
- Kouaoua
- Népoui
- Poum
- Thio
- Tiébaghi
- **Doniambo metallurgical plant** (ferronickel and nickel matte production)



THANKS TO ITS
PLANTS' FILTRATION
SYSTEMS, ERAMET KEEPS
ITS AIR EMISSIONS
TO A MINIMUM.
THAT'S GREAT NEWS
FOR BUTTERFLIES.



INDUSTRIAL AND COMMERCIAL ACHIEVEMENT

THE EFFECTIVENESS OF ERAMET'S ACTIONS AND THE RELEVANCE OF ITS STRATEGY TO MARKETS WITH LONG-TERM GROWTH ENABLED IT TO COPE WITH 2009'S ECONOMIC SLUMP, WHILE TAKING ADVANTAGE OF THE UPTURN IN MANGANESE AND NICKEL SALES DURING THE YEAR AND CONTINUING ITS MAJOR PROJECTS. INVESTMENT IN RESEARCH & DEVELOPMENT AND STEADY INTERNATIONAL DEPLOYMENT ENSURE ITS FUTURE SUCCESSES.

INNOVATIONS, *TANGIBLE* *PROGRESS* AND CUSTOMER BENEFITS

In the context of the 2009 global crisis, ERAMET stepped up its research and development efforts. Covering both products and processes, R&D work leads to breakthroughs that benefit customers and bolster the Group's leadership in its different activities.

The Group's research centre is located in Trappes, near Paris. ERAMET Research houses 110 engineers and technicians who work to perfect mining and industrial processes as well as products. With a 15% budget increase despite the crisis, major successes were achieved in 2009.

STRATEGIC INNOVATIONS

The hydrometallurgical method for processing oxidised nickel ores proved reliable. The 16-week pilot run, culminating in a 1,000-hour continuous trial in the last six weeks, was a complete success. After reaching this milestone for the mining project in Weda Bay, Indonesia, in 2010 the robustness of the process is being tested (swift return to balance when disrupted, e.g. with a different ore).

In pyrometallurgy, a tool that represents chemical, thermal and electric phenomena was built to study ferronickel production. From 2010, it will enable the Group to anticipate the chemical evolution of New Caledonian ores. More ferrous and acidic ores will require specific processing, with important consequences for furnaces and refining in particular. Another breakthrough is the tracing of new avenues for high-potential hydrometallurgical processes

15%

GROWTH
IN ERAMET
RESEARCH'S
BUDGET IN 2009.

for the Mabounié, Gabon niobium deposit. The very innovative approach could make it possible to mine the metal and recover uranium, tantalum and other rare metals with fast-growing markets. In 2010, this work was stepped up, as was the project on lithium. The Trappes centre is now established as an expert in the field, consolidating the partnership with Bolloré.

Other highlights were the development of a production process for anhydrous nickel chloride that meets the new needs of a Sandouville plant customer and the maturing of a support service for fluid analysis, characterisation and mechanics equipment and skills.

SPECIFIC TEAMS FOR ALLOYS

In alloys, R&D efforts are inseparable from ERAMET's positioning in high value-added products with very advanced characteristics. The Alloys activity invests 2% of its turnover in developing new grades and perfecting its processes. For programmes to be efficient, R&D has to be close to production sites. For that purpose, a research reorganisation project was undertaken in 2009. ERAMET Alloys' R&D teams (17 engineers and 23 technicians) are divided between Söderfors in Sweden and Les Ancizes and Pamiers in France.





The ERAMET Research centre near Paris conducts small-scale trials.

→ MODELLING AND NEW GRADES

The Alloys activity's R&D issues mainly concern alloy production and processing, as well as the development of new grades. For production and processing, extensive work is done on process modelling. The aim is to avoid exogenous inclusions and understand metal solidification better, for example to adapt ingot shape to the target product. In addition, the thermodynamic processes in forging, rolling and closed die-forging are modelled in order to predict output grain size and so optimise procedures.

The latest innovations include ML340 steel. This grade delivers great strength: 230 kg per mm², i.e. over 20% more than the steels used in aircraft manufacturing. A joint patent with Snecma has been filed. With 190 kg per mm² strength, stainless steel does not require environment-unfriendly anticorrosion surface treatments. MLX19 is becoming the new benchmark for landing gear. A partnership has been signed with Messier-Dowty for its development.

New nickel-based superalloys could enable the Division's products to stand out from existing alloys. Designed for turbines, the NI30 and NI33 grades are potentially competitive. Several melts are being assessed. Titanium alloys are compatible with carbon composites and a major development avenue for aerospace. In partnership with Timet, Aubert & Duval has manufactured and delivered the first landing gear parts for the A350, in the Ti 10-2-3 grade. For the same Airbus, aluminium and lithium alloys have also been developed, in partnership with Alcan this time.

Close-up

CLOSE INVOLVEMENT IN COMPETITIVENESS CLUSTERS

Some R&D programmes in the Alloys activity are implemented through competitiveness clusters such as Viaméca for mechanics and heat treatment (Auvergne and Rhône-Alpes regions), Aerospace Valley (Toulouse) or the

Burgundy nuclear cluster with AREVA in particular. Research engineers are seconded to the clusters and contribute to the selection and orientation of programmes and propose inter-company initiatives. Aubert & Duval federates and supports

research in its region. As a partner to leading schools and universities, it also supports several student theses.

ERAMET RESEARCH, A TALENT POOL FOR THE GROUP

Spotting the Group's future engineers is one of the missions of ERAMET's Campus Manager, who organises the Group's participation in more than 12 school forums every year, and a large number of conferences that let students and teachers find out about the range of ERAMET's businesses. Tours of industrial sites are organised for students at leading engineering schools. For instance, students at École Centrale Paris visited Comilog's Dunkirk (France) plant and a group from Mines Paris Tech toured SLN's mines in New Caledonia as well as ERAMET Research. As part of Horizon Chimie, future chemical engineers also discovered the ERAMET Sandouville (France) site.

In addition to the internships on offer, every year ERAMET gives general, chemical or geological engineers the chance to start their career in the Group's research centre. The young graduates soon work on strategic topics for the Group such as the hydrometallurgical process. They are made aware of safety issues upon arrival and gain initial management experience by heading small teams of technicians. In parallel, junior engineers carry out on-site assignments, which helps them to grasp field activities.

ERAMET Research is an entry point for young engineers. It gives them sound training in processes during the first years, enabling them to succeed on production sites later. This talent pool is greatly appreciated by mining and metallurgical site managers. •



Engineers at the R&D centre study ore characteristics in depth.

STRATEGIC GLOBAL INVESTMENTS CONTINUE

ERAMET's strategy on its different markets is reflected in the development of major projects worldwide. These continued to be implemented in 2009.

Internationally, one highlight of 2009 was the partnership agreement signed with Mitsubishi for the joint development of a world-class nickel deposit in Indonesia. The acquisition of P.T. Weda Bay Nickel in 2006 gave the Group the possibility of doubling its nickel production over the long term, thanks to its hydrometallurgical process. Technical studies are in progress with a decision expected in late 2011 or in 2012.

April 10th, 2009: official launch of the UKAD construction programme in the presence of the region's elected representatives and the Kazakh ambassador.



AGREEMENT IN TITANIUM

Another international agreement was signed by Aubert & Duval with a Kazakh partner to supply titanium. With the metal only available otherwise from Russian or American companies, the agreement makes sourcing secure. Products from UKAD, a titanium processing unit under construction in Saint-Georges-de-Mons, France, are intended for the aerospace market (landing gear, wings, fuselage, engines, etc). The €47 million unit should be operational in September 2011. It has won the support of Airbus and EADS with a contract guaranteeing approximately \$1 billion in business through to 2020.

EXTENSION OF MANGANESE ACTIVITY IN NORWAY

In Norway, the acquisition of Tinfos was completed in 2009 with its manganese, titanium dioxide and trading activities grouped together in Erallloys Holding SA, a new subsidiary of which ERAMET then acquired full control. This bolstered the Group's position in manganese alloys (approx. 20% capacity increase) and, more specifically, the strategic priority of refined alloys. The synergies leveraged since 2008 with the Group's other sites in Norway are proving greater than expected. The operation also allows the Group to diversify into titanium dioxide production.



The Kivnesdal (Norway) plant specialises in silico-manganese production.

NEW INDUSTRIAL PROJECTS IN CHINA, GABON AND NEW CALEDONIA

In China, the old Guilin plant will be shut down to make room for a new industrial unit. The facility will be dedicated to higher value-added refined manganese alloys for long products. These offer higher quality than flat steels and account for a growing share of Chinese production. Industrial developments in new countries are carried out at the same time as capital projects in countries where the Group has long been based. The construction of Moanda metallurgical complex in Gabon, comprised of a silico-manganese production facility (65,000 tons per year) and a manganese metal site (20,000 tons per year), is linked to government plans for a new hydroelectric power plant.

In New Caledonia, studies resumed on the construction of a thermal power plant. Adjusted to the nickel production target of 65,000 tons, the project is intended to replace the current fuel oil plant. •

Close-up

GREATER PRESENCE IN DOLLAR ZONE FOR ALLOYS ACTIVITY

ERAMET develops its industrial bases worldwide, including in France where the Alloys activity alone has eight plants. While developing its French facilities, the division is looking into projects in the dollar zone. Basing industrial sites in the United States would avoid negative foreign exchange effects for products manufactured in the euro zone, while making access easier to markets such as aerospace. In late 2009, a distribution centre for

Erasteel was acquired in Romeoville, in the heavily industrialised Chicago region. This base is a good fit with the Boonton (New Jersey) and Cincinnati sites, where teams were also bolstered. In addition, the Alloys activity increased its workforce in China and Japan.

“STRATEGIC ALLOYS FOR AEROSPACE

IN ALLOYS, ERAMET'S SPECIALISED SUBSIDIARIES (AUBERT & DUVAL AND ERASTEEL) DEVELOP THEIR EXPERTISE IN CLOSE CONNECTION WITH THE DIFFERENT CHANNELS' DOWNSTREAM MARKETS. FOREMOST AMONG THEM IS AEROSPACE, FOLLOWED BY POWER GENERATION, INDUSTRIAL TOOLS AND VARIOUS SPECIALITIES.



The Airforge site in Pamiers (France) is dedicated to the aerospace market.

For the aerospace market, Aubert & Duval makes a full range of structure (particularly landing gear) and engine parts. A large share of its long steel products, high-performance alloys and some cast parts for special tools are intended for this market. Although the cyclical aerospace market was directly hit by the crisis, the long-term trend is definitely favourable with 4-5% annual growth. For its major customers, Aubert & Duval produces special steels and superalloys that it processes by forging, rolling and closed die-forging. With more limited volumes than on carbon or stainless steel markets, these products add much more value because of the advanced characteristics that enable them to withstand extreme mechanical and thermal constraints.

VERY HIGH PERFORMANCE

These alloys and steels are strategic in aircraft manufacturing. Using composites can reduce an aircraft's overall weight but cannot meet every technological and safety demand. Superalloys perfectly withstand the highest temperatures in engines and advanced stainless steels offer manufacturers outstanding qualities.





UKAD's vocation is to manufacture and sell titanium products for the aerospace market (landing gear, wings, fuselage, etc.).

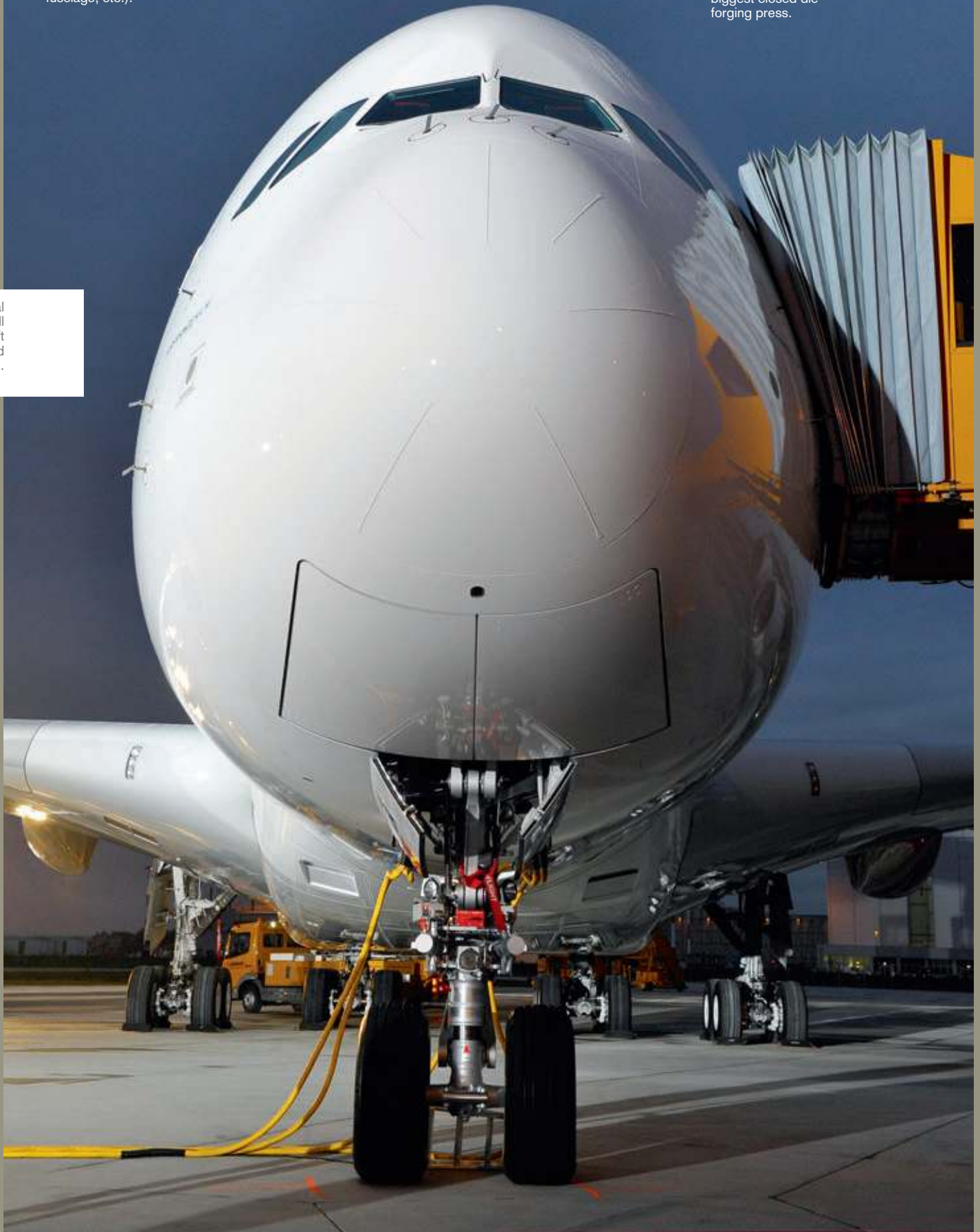


Aircraft engines are made from increasingly sophisticated metallurgical alloys containing more than 45% nickel that keep their advanced properties even at extremely high temperatures.



Wings that hold fast to the fuselage thanks to aluminium alloy parts forged by Aubert & Duval in France on the Western world's biggest closed die-forging press.

Aubert & Duval produces a full range of aircraft structure and engine parts.





Erasteel specialises in powder metallurgy.

→ INNOVATION AND LEADERSHIP

Through their experience and expertise, Aubert & Duval's people meet the demands of major aerospace customers, particularly Airbus and Boeing. These solutions require extensive research programmes to develop new alloy grades and manufacturing processes. The work is often carried out with partners in the chain, including major suppliers and aircraft manufacturers. It enables Aubert & Duval to consolidate its leadership and provide its customers with a full range of products, including major developments in aluminium-lithium alloys, characterised by excellent mechanical properties and low density, as well as titanium parts and all superalloys. The variety of processes also contributes to the scope and relevance of its customer solutions.

42%

OF ERAMET ALLOYS' TURNOVER IS ACHIEVED WITH THE AIRCRAFT, SPACE AND DEFENCE SECTORS

Close-up

INVESTING IN PRODUCTION

In its six French plants (Firminy, Gennevilliers, Imphy, Issoire, Les Ancizes and Pamiers), Aubert & Duval has a broad range of state-of-the-art facilities. Its presses can forge a wide variety of products. The

largest press has 40,000 tons capacity and a €30 M, 3,000-ton facility under construction will come on stream in late 2011. Another major project in progress is the construction of a new site

dedicated to titanium in Saint-Georges-de-Mons, Auvergne. The Alloys division is also investing in powder metallurgy production, particularly with Erasteel's Durin capacity extension programme.

DIVERSIFYING INTO FINISHED PRODUCTS

Aubert & Duval's offering of a finished mill product under Airbus' Power 8 cost reduction programme is also noteworthy. By integrating every manufacturing stage for a closed die-forged part in partnership with a mechanical engineering firm, the subsidiary showed that time and costs could be saved on the process. The approach was implemented for frame 42 on the Airbus A320 (cockpit strengthening parts) and is being examined for other parts.

MAJOR SUCCESSES IN 2009

The year's successes include Aubert & Duval's delivery of the first titanium parts for A350 landing gear to Safran subsidiary Messier-Dowty. The shipment results from the two partners' cooperation with Timet (USA), a supplier of titanium ingots. These parts are extremely complex to make and have studied in great technical depth for several years, keeping to a tight schedule. Another achievement was the powder metallurgy extrusion of the N-18 grade for the Rafale's M88 engine. Developed with Snecma using the Pamiers, France press, this innovative technology saves a lot of time and money. Before, the powder had to be shipped in bulk containers to the United States for extrusion – a press operation that improves characteristics – then shipped back to France in bar form.

THREE PRIORITIES: HEALTH, SAFETY AND THE ENVIRONMENT

Both Aubert & Duval and Erasteel implement their projects under a sustainable development rationale. Five of the division's eight industrial sites in France are certified ISO 14001, including two that obtained the distinction in 2009. More generally, the three aspects – health, safety and the environment – are factored into every project from the outset. •



Thomas Billaudeau, Metal Materials and Process Engineer at Airbus.



Aubert & Duval and Alcan jointly developed a new aluminium-lithium grade for the A350.

MAKING THE GRADE FOR AIRBUS

“

Following joint work by Airbus, Alcan and Aubert & Duval, a new 2050 aluminium-lithium grade was developed for the A350. Thomas Billaudeau, Metal Materials and Process Engineer at Airbus, explains.

HOW DID THE 2050 GRADE ORIGINATE?

We already use this aluminium-lithium alloy in rolled product form, in other words a thick sheet from which finished parts are machined. With Alcan and Aubert & Duval, we looked into the usefulness of developing the grade as a forged product. The 2050 alloy's primary virtue is its very low density. It represents a weight gain over a conventional aluminium alloy, making for lighter aircraft that consume less fuel. In addition to this technical and economic advantage, there's the product's response to our requirement of longer fatigue life for our forged parts. Metal

materials undergo different stress cycles during flights and show surface micro-damage. If this builds up, it can cause cracks if the phenomenon isn't controlled. Compared with the other conventional aluminium alloys used on our forged parts, the 2050 alloy improves fatigue behaviour.

WHICH PART OF THE AIRCRAFT IS THE GRADE FOR?

It's a highly strategic application as the grade is used to make one of the four main aerofoil-fuselage joint parts. Aubert & Duval is a major historical partner for these central box parts, from the A320 to the A350 via the A340 and the A380. Together, with Alcan, we've acquired a wealth of sound experience in the development of innovative, efficient solutions that meet our requirements.

WHAT ARE THE ADVANTAGES OF THIS KIND OF COOPERATION?

The Aubert & Duval teams' knowledge of the end product and our needs means a considerable saving of time. We benefit from great attentiveness and a shared vocabulary. I also appreciate the will to move forward and help us as well as possible. This approach allowed us to complete our project sooner than planned. After all the tests, in late 2009, blanks were already being forged by Aubert & Duval and delivered for assembly on the A350.

”

RECONCILING TECHNICAL EXCELLENCE WITH ECONOMIC EFFICIENCY

"Specialising in naval systems, DCNS is the European leader in warships. For our products we need facilities that deliver very high performance. The blanks forged by Aubert & Duval

are used in particular in submarines like the Barracuda. Joining hull components together, they have to withstand severe technical constraints with complete reliability. Our goal in working with

a company like Aubert & Duval is to obtain very high quality services while optimising solutions to meet increasingly tight economic demands. That's why, with companies like this, we go beyond simple

customer-supplier relations to develop long-term partnerships."

Gérard Duhamel, Supplier Relations Development Manager, DCNS.

“MAKE MORE FOR LESS: THE NICKEL OBJECTIVE FOR STAINLESS STEEL PRODUCERS

PROGRESS ON THE DEVELOPMENT OF THE WEDA BAY PROJECT IN INDONESIA AND THE LAUNCH OF A COMPETITIVENESS IMPROVEMENT PROGRAMME IN NEW CALEDONIA WILL ENABLE ERAMET'S NICKEL ACTIVITY TO SUPPORT ITS CUSTOMERS EVEN BETTER, PARTICULARLY IN THE STAINLESS STEEL SECTOR, ITS MAIN OUTLET.



The SLN plant in New Caledonia makes ferronickel and nickel matte

ERAMET is one of the world's leading ferronickel producers with its SLN 25® shot made in the Doniambo, New Caledonia plant. The main market is stainless steel, which accounts for 60% of nickel consumption worldwide. Applications are everywhere in daily life, from construction and decoration to transport, furniture and packaging. Through its production of Nickel HP® high-purity (99.99%) metal, ERAMET is also one of the world's three suppliers of nickel metal for superalloys and other nickel-based alloys. These are used in sectors such as aerospace (aircraft engine and structures) and power generation (turbine).

ERAMET is also the world's leading producer of nickel chloride. Its SELNIC® product, the purest crystal nickel chloride on the global market, is used in the most demanding applications, from the galvanoplasty industry to the automotive and aerospace sectors via the electronics industry. Another product, NICKEL One™ nickel hydroxycarbonate, is designed for catalyst and pigment production and for surface treatment. One and two-euro coins are another outlet. The nickel in their central part maintains their shine and relief over time. →

*
60%

Stainless steel accounts
for 60% of nickel outlets.

*

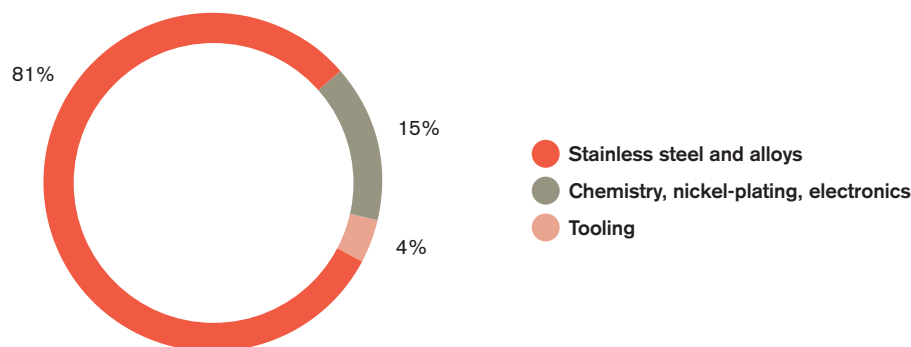
With more than 45%
nickel, superalloys keep
their mechanical properties
at very high temperature

Nickel is used in
all areas of daily
life: construction,
decoration, cooking,
furniture, etc.



ERAMET NICKEL

Turnover by market



→ PRODUCTION UPTURN IN 2009

Because of nickel producers' excess inventory, from late 2008 SLN reduced its nickel output to 80%, i.e. 50,000 tons on an annual basis. In 2009, it was raised to approximately 52,000 tonnes. Dedicated to other applications than stainless steel (high-purity nickel, cobalt), the Sandouville, France plant drew on the quality of its products to keep up production and even reach record levels, leading to market share gains. Its contribution to ERAMET's Nickel activity rose to almost 28%. However, the Eurotungstène site in Grenoble, France, which specialised in the manufacture of ultrafine tungsten carbide and cobalt powders, was badly hit by difficulties on its markets, particularly the construction and automotive sectors. Its output and sales were approximately halved in 2009.

DEFINITION OF AN OPTIMAL OPERATING POINT FOR SLN

It was a very important year for SLN, the subsidiary that mines nickel deposits in New Caledonia. A study on its optimal operating point and a competitiveness improvement project were presented to the works council and Board of Directors in November. The goal is to achieve production of 65,000 tons in 2014, with 60,000-ton stage from 2012. Improving SLN's competitive position-

€90M

ANNUAL COST
SAVINGS BY
2012 FOR SLN.

ing also involves reducing costs. The savings target for 2012 compared with 2008 is €90 M on a full-year basis and at constant economic conditions. Over the same timeframe, the target workforce is set at 2,100. This represents 300 job cuts, which it is intended to make without redundancies. In early 2010, the proposed competitiveness improvement plan was still in the consultation process with personnel representation bodies.

CONTINUATION OF MAJOR PROJECTS

In parallel, ERAMET is maintaining all its major development projects in New Caledonia. In 2009, studies were launched on a new power plant for the Doniambo site in line with the new production target. The construction decision will be made in late 2011 or early 2012.

The extension of mining activity on new deposits in New Caledonia also remains an ambition. The ERAMET Group has appealed against the cancellation of the Southern Province's the grant of the Prony and Creek Pernod deposits early in the year, following motions filed by a competitor. •

Close-up

CRUCIAL PROGRESS FOR P.T. WEDA BAY NICKEL IN INDONESIA

Two major events in the project to mine a nickel deposit in Indonesia stand out in 2009. On February 19th, Mitsubishi Corporation acquired 33.4% of Strand Minerals, an ERAMET subsidiary that holds a 90% stake in P.T. Weda Bay Nickel, the company in charge of studies and the deposit's future

operation. Long based in the country, Mitsubishi is an excellent partner for the project's industrial rollout. Another milestone was the Indonesian authorities' approval of the environmental, social and health studies in July. Since then, P.T. Weda Bay Nickel has continued with land acquisitions, permit

applications and financing project preparations. Initial contacts have been made with financial organisations. The final decision on going ahead with the project is scheduled for late 2011 or early 2012.



Mr. Kenji Minami,
Managing Executive Officer, Nisshin Steel.



Aerial view of Nisshin Steel's Shunan, Japan plant.

A LONG-TERM PARTNERSHIP FOR THE BENEFIT OF BOTH COMPANIES

“

NISSHIN STEEL IS A MAJOR COMPANY IN THE JAPANESE ECONOMY. COULD YOU DESCRIBE YOUR ACTIVITIES?

With the installation of our first blast furnace in 1962, Nisshin Steel evolved into an integrated steel manufacturer and specialized in the steel sheet area, including stainless, coated and special steel sheets. In stainless steel, in particular, Nisshin Steel has always led the industry by developing various technologies such as the first Sendzimir mill in Japan, the converter degassing process, the tandem Sendzimir mill and high-tech mills for ultra-thin products. **We have attained advanced technical know-how and expanded our business field overseas,** by the establishment of joint ventures, equity participation and technical assistance. In the stainless steel area, we have strengthened the alliance with Acerinox and Baosteel to capture the growing overseas market and are aiming for further expansion in our business.

YOU HAVE BEEN A SHAREHOLDER OF THE ERAMET GROUP SUBSIDIARY SOCIETE LE NICKEL SINCE 1991. WHAT ARE THE REASONS FOR YOUR INVESTMENT IN THIS COMPANY?

At that time, due to the rapid growth in stainless steel demand, conditions for instability of the nickel market appeared: a worldwide supply concern and wide price fluctuations. And there was a growing concern that such a situation might continue in the future. On the other hand, in order to assure to our customers a stable supply in stainless steel, our mainstream product, **it was our top priority to secure a stable supply of nickel,** the main raw material for stainless steel. With this priority in mind, we decided to strengthen the relationship and create a partnership with the supply side, by investing in SLN, the world's largest ferronickel producer, thus entering a long-term relationship with Eramet Group.

SLN HAS BEEN SUPPLYING FERRONICKEL TO NISSHIN STEEL FOR A LONG TIME. CAN YOU COMMENT ON THE QUALITY OF OUR PRODUCT?

We appreciate that SLN have supplied us **with ferronickel of stable quality for a long time. SLN's ferronickel, which contains a comparatively higher quantity of nickel,** is quite handy for us in adjusting the level of nickel content in our own stainless steel furnaces

when we switch our production between austenitic grades and ferritic grades.

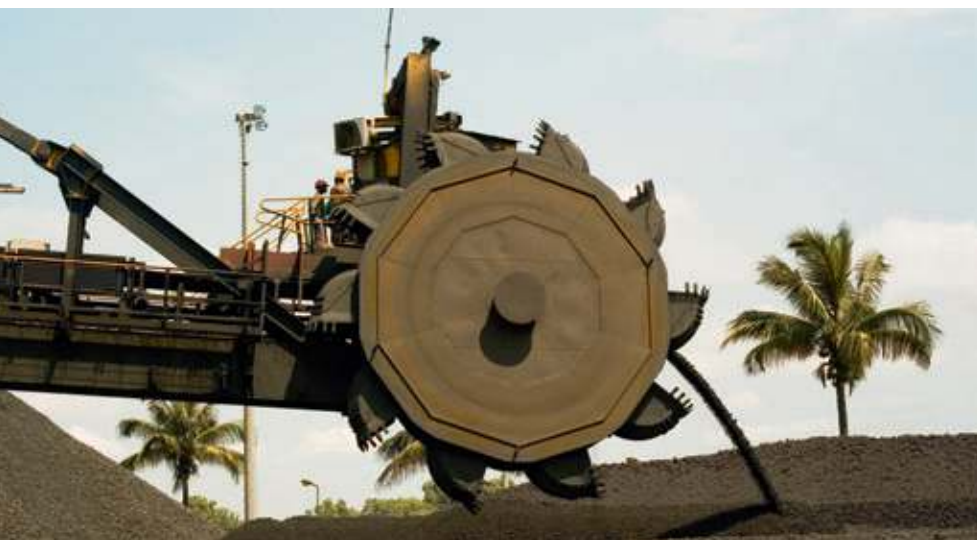
WHAT DO YOU EXPECT FROM THE FUTURE RELATIONSHIP BETWEEN NISSHIN AND ERAMET?

Since we invested in SLN in 1991, we have experienced several “ups and downs”, but we could nurture a partnership because we have recognized each other as a good partner and cooperated to overcome the difficulties we faced. **We want to deepen our relationship further, on the basis of mutual trust and open communication.** We believe the relationship between Eramet and Nisshin Steel is truly “The same crews on the same boat”, and we hope that our boat shall sail into the bright future for the two companies.

”

“ KEEPING PACE WITH GROWTH IN CARBON STEELS

THANKS TO THE QUALITY AND SIZE OF ITS DEPOSITS, ERAMET PROVIDES ITS STEELMAKING CUSTOMERS WITH MANGANESE ALLOYS AND ESPECIALLY RICH MANGANESE ORE. THESE RAW MATERIALS THAT IMPROVE STEEL QUALITY AND REDUCE PRODUCTION COSTS ARE IN INCREASING DEMAND.



The manganese ore produced by Comilog in Gabon is one of the world's richest.

For its customers around the world, ERAMET produces one of the broadest ranges of manganese chemical derivatives. To do so, it draws on the deposits mined by its Gabonese subsidiary Comilog in Gabon and global industrial assets close to customers in China, Europe and North America. Steelmaking is far and away the main market for manganese, with almost 90% of ore sold to steel and alloy producers. Manganese is an essential component for enhancing alloys by improving their properties. The many examples include automotive bodywork, which can be made lighter using manganese. Manganese and its chemical derivatives, however, are intended for other specialised sectors such as batteries. EMD, the active component in long-life alkaline batteries, is manganese-based. There are other significant outlets in chemicals and agrochemicals. In addition, the Manganese division develops a major oil catalyst recycling activity. The world leader in this field, ERAMET subsidiary Gulf Chemical & Metallurgical Corporation (USA), produces vanadium and molybdenum. The Group also intends to develop its recycling activities, an ambition that was reflected recently in the acquisition of the French company Valdi.





1.3 billion tons of carbon steel were produced in the world in 2009.



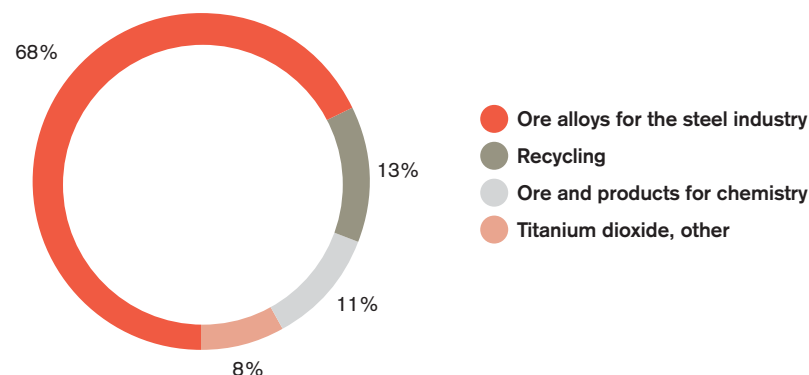
Manganese is an essential component in making steel, in proportions ranging from 0.05% to 2%.



Manganese makes steel more elastic, harder and more wear-resistant.

ERAMET MANGANESE

Turnover by market



with commissioning planned for 2011. On the new site, the blast furnaces from the old plant will be replaced by electric furnaces. As a result, the new unit will produce refined ferromanganese for flat products, of which consumption is growing sharply in China.

AN INDUSTRIAL COMPLEX IN GABON

Another major project is CMM, the €200 M metallurgical complex in Moanda, Gabon. Work has already begun, with the production units for manganese metal and silicomanganese scheduled to come on stream in late 2012 and in 2013, respectively. The setup of a new base for manganese conversion in Gabon will be made possible by the government's construction of a new hydro-electric dam.

Also in Gabon, the improvement programme for the Transgabonais railway, to which Comilog holds the concession, continued as planned.

FURTHER ACQUISITIONS

In parallel to its development in Gabon, ERAMET is looking into various mining acquisition projects around the world. A recent example of the Group's growth policy was in the industrial sector with the acquisition of Tinfos. Finalised in 2009 with the 100% stake acquired in Eralloys, the company that groups together Tinfos' metallurgical activities, the operation brought about an approximately 20% increase in manganese alloy production capacity. Moreover, synergies with other industrial sites are greater than expected.

In addition, an agreement was signed with the AFE group for the acquisition of the French company Valdi on December 11th, 2009. Valdi's two sites employ around 90 people in Palais-sur-Vienne, near Limoges, and Feurs, near Saint-Étienne. The former specialises in calcining catalysts containing nickel, molybdenum and vanadium and in manufacturing ferroalloys in a submerged electrode furnace, in which catalysts and waste from special steel production are processed. The Feurs unit manufactures ferroalloys from pre-sorted saline and alkaline batteries and refines alloys to specific customer requirements. This acquisition consolidates ERAMET's positions in metal and battery recycling in Europe in a good fit with its North American activities. •

→ COST REDUCTION GOALS EXCEEDED

In 2009, the cost reduction plan implemented at the first signs of crisis exceeded its target by 20%. In every country, the main lines of the plan were adapted to the context by local management. Some of the savings achieved are lasting, others such as part-time working are short-term. The suspension of Marietta North's activity (USA) was stepped up and the Daoer plant (China) was shut down. Wherever redundancy plans had to be carried out, there was maximum consultation and all possible support for the people affected.

Furthermore, inventory levels, which were too high in late 2008, were reduced substantially. It was planned to bring them down to the usual level in late 2009 but that goal was in fact achieved in mid-year.

€200M
CAPITAL INVESTED
IN MOANDA
METALLURGICAL
COMPLEX,
GABON.

STRATEGIC CAPITAL EXPENDITURE UPHELD

The upturn in sales led to the resumption of the capacity extension programme in Gabon. Objective: 4 million tons per year. In 2008, the 3.5 million ton mark was reached. Recent studies showed that the current deposit had a longer operating lifespan than initially thought, even with a production increase. A new development plan for the mining activity in Gabon is being drawn up. It factors in new deposits as well as current resources. Other major capital projects were also maintained, even if some were rescheduled due to the crisis. The construction of the new Guilin plant in China was put back a few months, for example. Work began in 2009 and will continue in 2010

Close-up

INDUSTRIAL AND COMMERCIAL TEAMS COMING TOGETHER

Mobilisation on cost reduction in 2009 was reflected in closer cooperation between production and sales teams in the Manganese activity. Sales staff used

to be tasked with selling what the units made, but now they take the lead. The units now adjust the quantity and quality of their production according to demand.

The new approach is here to stay, regardless of economic trends.



Jennifer Dickson, Lead buyer, Alloys for Corus and Tata Steel



In 2008, Corus won a contract to supply the steel for two new Royal Navy aircraft carriers.

FLEXIBILITY, INNOVATION AND VALUE CREATION

“

CORUS IS EUROPE'S SECOND LARGEST STEEL PRODUCER. CAN YOU TELL US MORE ABOUT IT?

With main steelmaking operations primarily in the UK and the Netherlands, Corus is a leading supplier of steel and related services to the construction, automotive, packaging, mechanical engineering and other demanding markets worldwide. **Corus is a subsidiary of Tata Steel, one of the world's top ten steel producers.** The combined enterprise has an aggregate crude steel capacity of more than 28 million tonnes and approximately 80,000 employees across four continents.

HOW WOULD YOU DESCRIBE YOUR RELATIONSHIP WITH ERAMET?

Direct relations date back to when ERAMET first acquired the Manganese assets from Elkem A/S. This enduring relationship is based on trust and confidence; it has developed over time, and ERAMET is now Corus' main provider of manganese alloys, a key raw material used in the steelmaking process. Corus buys the full range of products produced by ERAMET: High Carbon Ferro Manganese,

Silico Manganese, Medium and Low Carbon Ferro Manganese. These products come from ERAMET's plants in France and Norway (including the recently acquired ENK plant) and are consumed at all Corus plants.

HOW DOES ERAMET ANSWER YOUR NEEDS?

The answer is simple - ERAMET consistently proves itself, makes every effort to understand Corus' needs and shows great commitment in exceeding our expectations. **ERAMET always rises to any challenge and finds a way to succeed.** In practical terms it means developing a highly efficient supply chain. ERAMET ensures quality and consistency of product, with on-time delivery from plants geographically close to our own, combined with a commitment to continuous improvement – all of which add value to Corus.

WHAT ARE YOUR EXPECTATIONS FOR THE FUTURE?

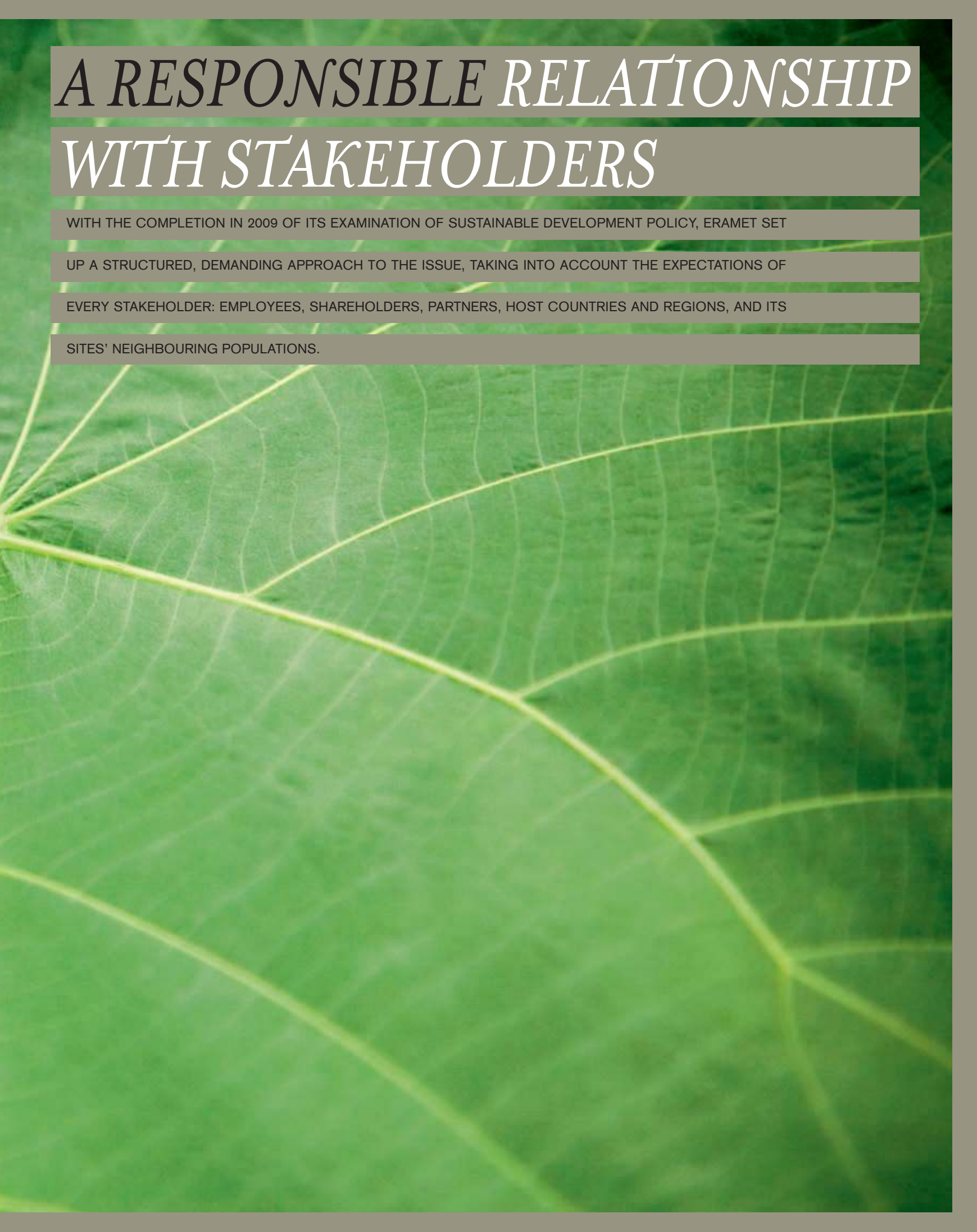
Flexibility will remain a key issue, and ERAMET should continue its pro-active way of working in this respect. I know this is possible due to its wealth of

in-house expertise and knowledge, gained through years of experience. Ultimately, **my expectation is that ERAMET will help Corus maintain a competitive edge in our markets** through innovation and value creation. I believe that both companies have similar values; we make a good team and will continue to find ways to maintain and improve our commercial interaction in the years to come.

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IN GABON, FAUNA
AND FLORA ARE
PROTECTED IN
MANY NATURAL
PARKS. THROUGH
ITS LOCAL
SUBSIDIARY,
ERAMET DEVELOPS
AQUACULTURE,
A PRIMATE
PROTECTION
PROGRAMME AND
ECO-TOURISM.



A RESPONSIBLE RELATIONSHIP WITH STAKEHOLDERS

WITH THE COMPLETION IN 2009 OF ITS EXAMINATION OF SUSTAINABLE DEVELOPMENT POLICY, ERAMET SET

UP A STRUCTURED, DEMANDING APPROACH TO THE ISSUE, TAKING INTO ACCOUNT THE EXPECTATIONS OF

EVERY STAKEHOLDER: EMPLOYEES, SHAREHOLDERS, PARTNERS, HOST COUNTRIES AND REGIONS, AND ITS

SITES' NEIGHBOURING POPULATIONS.

A COMMON CULTURE, *SEVEN SHARED* VALUES

The increasingly dynamic Leaders programme federates and mobilises all the Group's people. It fosters the sharing of values and leads to tangible improvements on major issues for ERAMET such as passing on knowledge, sharing best practices and developing initiative.

Based on ERAMET's values (see box below), Leaders is a continuous improvement process for all teams. Its global rollout enables them to make constant progress together by acting responsibly and contributing to collective performance more and more effectively. In addition to the knowledge and sharing of values by everyone, Leaders federates the Group around tangible actions implemented on virtually all sites, regardless of their country or speciality. As well as the steering committee, a Leaders manager coordinates applications and results, making methods more consistent and improving the pooling of experience.

CAPITALISING ON KNOWLEDGE

In 2009, Leaders enabled the Group to make progress on several crucial topics. One such theme, knowledge management, is not a new concern but is increasingly important in terms of the Group's production processes, the wealth of its cultural assets and the pooling of its expertise. In a company that is active on five continents, knowledge is a key asset that has to be identified, recorded, updated, passed on, shared and protected. This is one of the top priorities in the Leaders process.

The complex, long-term project involves all the Group's

Close-up

SEVEN VALUES FOR A SHARED CULTURE

ERAMET's people come from varied backgrounds and different continents but share the same values. These seven principles guide and give common 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





The winners of the Initiative Challenge 2009 received their trophy at a ceremony organised in Chantilly, France, in September.

entities, with highly varied teams in terms of culture and know-how. To complete it, as well as the recent formalising of procedures, particularly as part of ISO certification programmes, knowledge born out of experience must be gathered, such as solutions implemented to a malfunction or a specific customer need. This kind of knowledge mostly exists in people's memories, not in writing. That's why collaborative workspaces have been set up on Era-Net, the Group's intranet. But even the most effective tools are insufficient without a shared mindset that is conducive to their use. Knowledge culture is now promoted at ERAMET as a pillar of quality management. A new culture is being forged where, far from being restricted to a few, knowledge is becoming a shared commodity.

BEST PRACTICES FOR ALL

Another major Leaders topic, boosting best practice sharing, focused on three aspects in 2009: lean management, which optimises flow management through a process involving personnel directly; a method for managing industrial activities based on economic profitability, successfully rolled out in the Alloys activities in the past two years; and developing training on project management and sharing the Group's different approaches to the subject. The stakes are high: ensuring major projects are completed on time and on budget, whether in production units or support departments such as information systems or human resources.

LEADERS, A PROCESS WITH FOUR DRIVING FORCES

- Knowledge management
- Sharing best practices
- Every site's project momentum
- Group Initiative Challenge

FURTHER SUCCESS FOR INITIATIVE CHALLENGE

Leaders is also a multitude of projects conducted locally by line management and monitored by the Steering Committee, and rewards for the best initiatives through a specific challenge. In 2009, 162 initiatives were selected and seven won prizes. This new collective success led the Initiative Challenge to be repeated in 2010. •

SOUND *PERFORMANCE* BY ERAMET STOCK IN 2009

ERAMET shares recovered significantly in 2009.
Its performance over several years compares favourably with other mining and metallurgical stock.
With the launch of the EraShare grant plan,
all ERAMET employees will be more closely involved in the Group's success.

60% rise in share price. After sharp growth in 2006 (50%) and 2007 (188%, the biggest gain on the SRD deferred settlement list), ERAMET shares were badly hit by the effects of the financial crisis in 2008 and closed the year down 61%. In 2009, the stock gained 60%, a far greater increase than the CAC 40 index, which only rose 22% year-on-year.

Opening the year at €138.00, the share price recorded a low of €108.00 on February 24th and a high of €272.30 on October 20th. It stood at €220.75 on December 31st, on which date ERAMET's market capitalisation totalled €5.8 billion, close to the levels of CAC 40-listed groups.

ERAMET SHARES USED TO ACQUIRE TINFOS

The number of shares increased by 154,582 to 26,369,813. The acquisition of the Norwegian group Tinfos was partly made with payment in ERAMET stock.

SIGNIFICANT DIVIDEND PAYOUT

The Group distributed a significant dividend of €5.25 per share in 2009 with respect to financial 2008.

FULL, TRANSPARENT FINANCIAL COMMUNICATION FOR SHAREHOLDERS

All the Group's shareholders and, more generally, the financial community also benefit from full, transparent financial communication. In addition to two meetings intended for analysts and journalists in line with the publication of the annual and half-yearly results, information meetings are organised in several European capitals. The "Investors" section of the website (www.eramet.com) includes presentations, press releases (with subscription option), the Group's financial documents (reference documents, annual reports) and "Transparency" directive publications. Moreover, ERAMET won the Sciences Po Paris/Labrador award for its 2008 reference document.

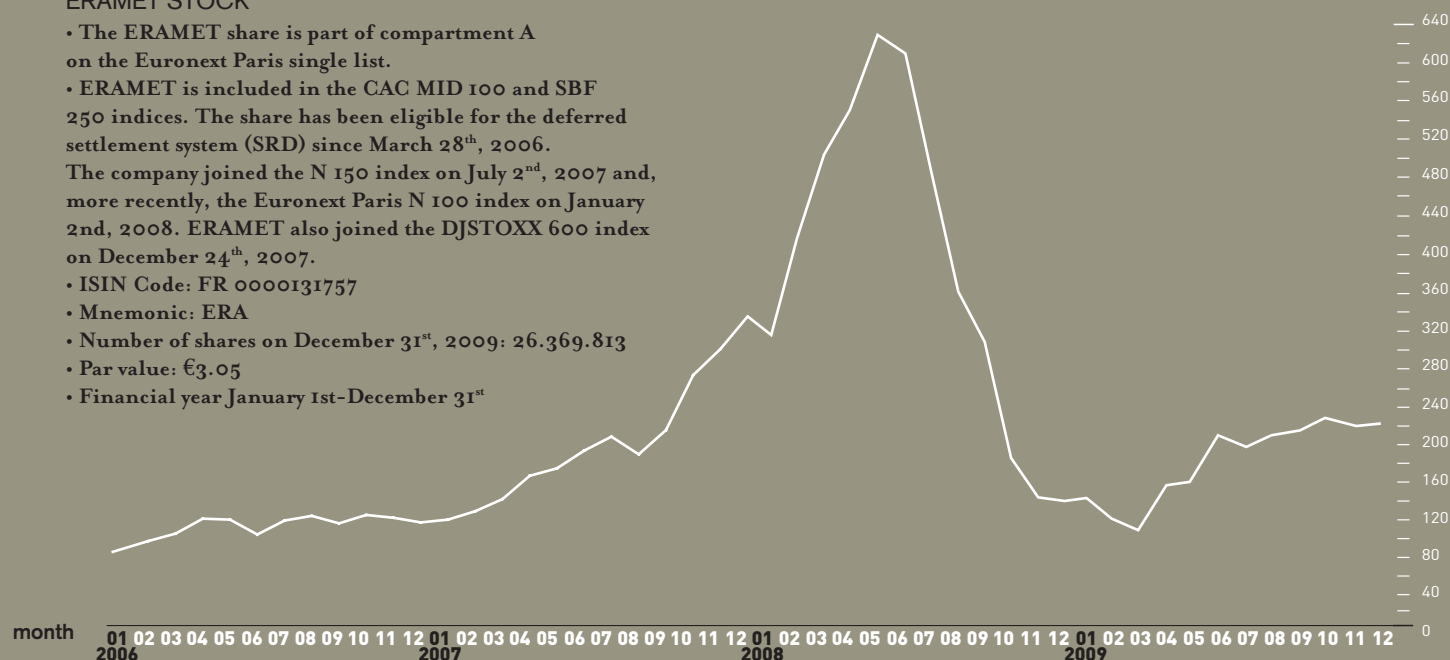
DEVELOP EMPLOYEE SHAREHOLDING WITH ERASHARE

In 2009, the Group implemented free share distribution plan for all its employees. Erashare's global rollout and scale – 85,000 shares granted to 15,000 employees – made it an unprecedented operation.

Through this democratic plan, all the Group's men and women will be involved more closely in its achievements. •

ERAMET STOCK

- The ERAMET share is part of compartment A on the Euronext Paris single list.
- ERAMET is included in the CAC MID 100 and SBF 250 indices. The share has been eligible for the deferred settlement system (SRD) since March 28th, 2006.
- The company joined the N 150 index on July 2nd, 2007 and, more recently, the Euronext Paris N 100 index on January 2nd, 2008. ERAMET also joined the DJSTOXX 600 index on December 24th, 2007.
- ISIN Code: FR 0000131757
- Mnemonic: ERA
- Number of shares on December 31st, 2009: 26.369.813
- Par value: €3.05
- Financial year January 1st-December 31st



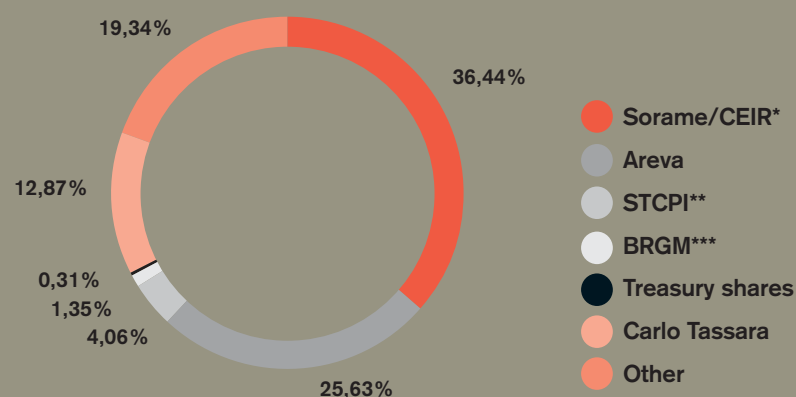
ERAMET financial communication schedule

- Thursday February 18th, 2010: 2009 turnover and annual results
- Thursday April 29th, 2010: 1st quarter 2010 turnover
- Thursday May 20th, 2010: shareholders' general meeting
- Thursday July 29th, 2010: 2nd quarter 2010 turnover, 1st half 2010 results
- Thursday October 28th, 2010: 3rd quarter 2010 turnover



5 free shares were granted to every Group employee worldwide.

Shareholding (as on December 31st, 2009)



RENEWAL OF SHAREHOLDERS' AGREEMENT

Entered into for the first time in 1999, then amended in 2008, the ERAMET shareholders' agreement between AREVA and Sorame/CEIR was renewed in June and December 2009.

* Sorame/CEIR: Duval family (including Duval family members who are also members of the shareholders' agreement)

** STCPI: New Caledonian provinces

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

A DETERMINED, AMBITIOUS POLICY FORMALISED FOR SUSTAINABLE DEVELOPMENT

With the conclusion of thinking on sustainable development policy, the Code of Ethics, a new reporting and internal communications method, further work on REACH, ISO 14001 certifications and support for many mining and industrial projects, 2009 was an especially rich year in terms of sustainable development.

Despite the economic downturn, the examination of ERAMET's sustainable development policy was completed in 2009. The policy, adopted by the Executive Committee than the Board of Directors on January 20th, 2010, is a milestone in the Group's formalisation and commitment to the various aspects of sustainable development. Without replacing the approaches or charters already formalised, particularly on health, safety and the environment, it enhances them, puts them into perspective and enables the Group to go even further.

TOP PRIORITY: EMPLOYEES

Sustainable development policy is structured along four axes, each broken down into specific orientations with a defined set of actions. The first axis concerns employees: "Protect and develop ERAMET's employees by involving them in our actions." Because they form the company's wealth, the policy starts with people. This axis includes health and safety, two priorities that were also given first place on purpose, professional development and industrial dialogue and the incentive for everyone to play a part in sustainable development. The second axis is "Manage

100%

OF SITES
COME UNDER
SUSTAINABLE
DEVELOPMENT
REPORTING.

our risks and impacts on health and the environment in order to protect balances sustainably." It covers three orientations: control of the impacts of the Group's activities; reducing energy consumption and combating climate change; and better use of natural resources and the development of recycling.

CREATIVITY IN DEVELOPING PRODUCTS AND PROCESSES

The third axis formalises a new approach for ERAMET: "Seize the opportunities offered by sustainable development for the benefit of our customers." In other words, the aim is to factor sustainable development into innovation and diversification policy, highlight the environmental benefits of using ERAMET products, while reducing the risk posed by some, and, finally, commit to a responsible purchasing process.

This third axis illustrates the Group's will to show that it is not just environmentally responsible but proactive, by showing creativity in the development of new products and new processes. Making purchasing responsible is also a new approach, at least on a formal basis. →



Revegetation programme on the Halmahera, Indonesia site.

85%

OF SITES HAVE
SET UP WASTE
RECOVERY
ACTIONS.

25

SITES HAVE
UNDERTAKEN AN
ENERGY-SAVING
PROCESS.

Close-up

A CODE OF ETHICS FOR THE GROUP AND ITS PARTNERS

2009 also provided an opportunity to draw up ERAMET's Code of Ethics, as requested by the Group's Board of Directors. Adopted by the Executive Committee then

the Board on January 20th, 2010, the Code applies to all ERAMET's activities worldwide, regardless of their situation or location. In addition, a deontology

officer is now available to answer employees' questions on specific situations or aspects.



The Sandouville (France) site obtained dual ISO 14001 and OHSAS 18001 certification.

→ A TRUSTING RELATIONSHIP WITH STAKEHOLDERS

Another new process in its formalisation, apart from actions undertaken some time ago, the fourth avenue consists of "Maintaining a relationship of trust with stakeholders to create value for all." Once again, there are three main orientations: a better response to stakeholders' expectations; a transparent contribution to economic and social development in host regions while ensuring good governance of operations; and sharing the Group's challenges and achievements as widely as possible. Stakeholders have been mapped out in this area for the holding company and mapping is now in progress for all units.

204

SUBSTANCES
PRE-REGISTERED
UNDER REACH
REGULATIONS.

FURTHER WORK ON REACH

The many sustainable development highlights of 2009 include a number of environmental initiatives. After pre-registering all the chemical substances, including metals and their compounds, used in ERAMET's processes and marketed products in 2008, mobilisation on REACH remained high. The next stage consists of registration, by the end of December 2010, of products with tonnage over 1,000 tonnes, which, for a group the size of ERAMET, represents a great number of specifications.

SUPPORT FOR INDUSTRIAL PROJECTS

The communications and sustainable development department also supports all the Group's projects, particularly industrial programmes in Gabon (construction of an industrial complex), China (setup of a new plant in Guilin) or Indonesia (Weda Bay project). Every new project has an environmental aspect that is a crucial factor from design through to implementation. In-depth studies on fauna, flora, lifestyles, health and other issues are conducted in order to obtain local authorities' permission and define financing packages. In Indonesia, for example, ERAMET complies with all the World Bank's Ecuador Principles.

PROGRESS ON MANY FRONTS

Progress made during the year includes the continuation of the "Zero Disputes" programme, further representation actions on trade organisations, with a focus on anticipating new regulations as well as lobbying, definition of a standard for monitoring employees in contact with manganese based on the latest scientific knowledge, and a meeting of the "Health Club" facilitated by the Group's consultant physician and bringing together all its physicians and nurses. •

Close-up

FIVE NEW ISO 14001 CERTIFICATES

The year's successes include the ISO 14001 environmental certification obtained by five new units, in line with the schedule for all the Group's plants. In France, the Imphy site repeated

Eurotungstène's achievement of the previous year by obtaining certificates for both ISO 14001 and OHSAS 18001 for workplace health and safety. The other sites that achieved ISO 14001 status

in 2009 were Les Ancizes and Issoire in France, Tempico in Mexico (in January 2010) and Erasteel's Tianjin plant, the first ERAMET unit in China to receive the certificate.



Éric Willaume,
Operations director, Sodepal.



Lékédi park shows the biodiversity of the Gabonese forest

RAISING AWARENESS OF ENVIRONMENTAL PROTECTION

“

Through local development, biodiversity conservation, fish farming and eco-tourism in the upper Ogooué, Comilog's subsidiary Sodepal has been committed to Gabon for over 15 years. Its operations director Éric Willaume tells us more.

WHAT IS SODEPAL'S VOCATION?

To sustain economic activity in the Bakoumba region by working for sustainable development and the protection of the environment. Our primary activity is breeding tilapias. With 120 tons a year, we're Gabon's biggest fish farmer. The fish are fed through an environmentally responsible process with no fish flour. The farm provides a growing source of protein for the population of Bakoumba and the province. In addition, market gardening and fruit production are being developed. The site welcomes tourists, as well as Gabonese and foreign students for practical courses.

IS GROWTH IN TOURISM AN OBJECTIVE?

In Lékédi park, we want people to discover the biodiversity of the Gabonese forest and realise it needs

to be protected. With the Water and Forestry Ministry and international organisations (John Aspinall for gorillas, Jane Goodall International for chimpanzees), we develop a primate protection programme. We already host a dozen orphan chimps and three baby gorillas that escaped poachers, and organise a programme for reintroducing mandrills to the wild. This cooperation with the Franceville international medical centre and CNRS gives scientists an unmatched observatory and tourists an unforgettable meeting with little-known primates.

DO YOU CARRY OUT ACTIONS IN FAVOUR OF LOCAL POPULATIONS?

In addition to the fight against poaching, an awareness campaign on biodiversity conservation targets children. As the area's only economic operator, Sodepal is also closely involved in local development with the production of drinking water and electricity for Bakoumba village, renovation of tracks, the campaign against AIDS, vaccination, UNICEF's Art Gold programme, and so on. We support one of the last traditional potters, local basket weavers and

present archaeological remains in Lékédi park. We've had visits from Gabonese TV, the documentary channels and Animal Planet and National Geographic and the French channels TF1 and France 2. So out of the vestiges of an industrial activity, Sodepal has built a new activity to uphold Bakoumba's social and economic fabric. Its future lies in sustainable development, fish-farming and eco-tourism for the great apes. This will enable Lékédi park to become a benchmark for Central Africa.

”

SAVING JOBS AND *PROTECTING EMPLOYEES* AS A PRIORITY

In response to the crisis, ERAMET rolled out a global action plan to protect jobs and safeguard skills. Another highlight of the year was an unprecedented share distribution plan for all employees, a sign of confidence in the future.

In the context of the 2009 crisis, Human Resources played a major strategic role. Their commitment alongside line management, subsidiaries and all teams to cope with the sharp business downturn was founded on a global approach. Unlike previous situations which affected a particular activity or region more than others, the crisis hit ERAMET as a whole. Consequently, solutions were designed and deployed for the entire Group and adapted locally to different legal and other situations.

CONSULTATION WITH EVERY PARTY

A further characteristic of the actions taken is the consultation with every party involved, whether line, subsidiary or site management, but also employees themselves through their representation bodies. This joint work was done with the overriding goal of favouring employment to avoid losing skills on all levels: in other words, keeping jobs whenever possible.

This approach led to many actions and the use of all the mechanisms available under the various legislations in the countries where ERAMET is based: doing away with overtime, phasing out agency workers, in-sourcing contracted activities and part-time working. On the latter point, some legislations made it easy to set up mechanisms, for instance in France. But part-time working does not exist in countries such as the United States and Sweden. To cover the Group's employees as well as possible, specific solutions were set up according to local contexts.

In New Caledonia and Gabon, it was possible to reduce the headcount simply by not replacing employees who naturally left the company.

ORIGINAL SOLUTIONS

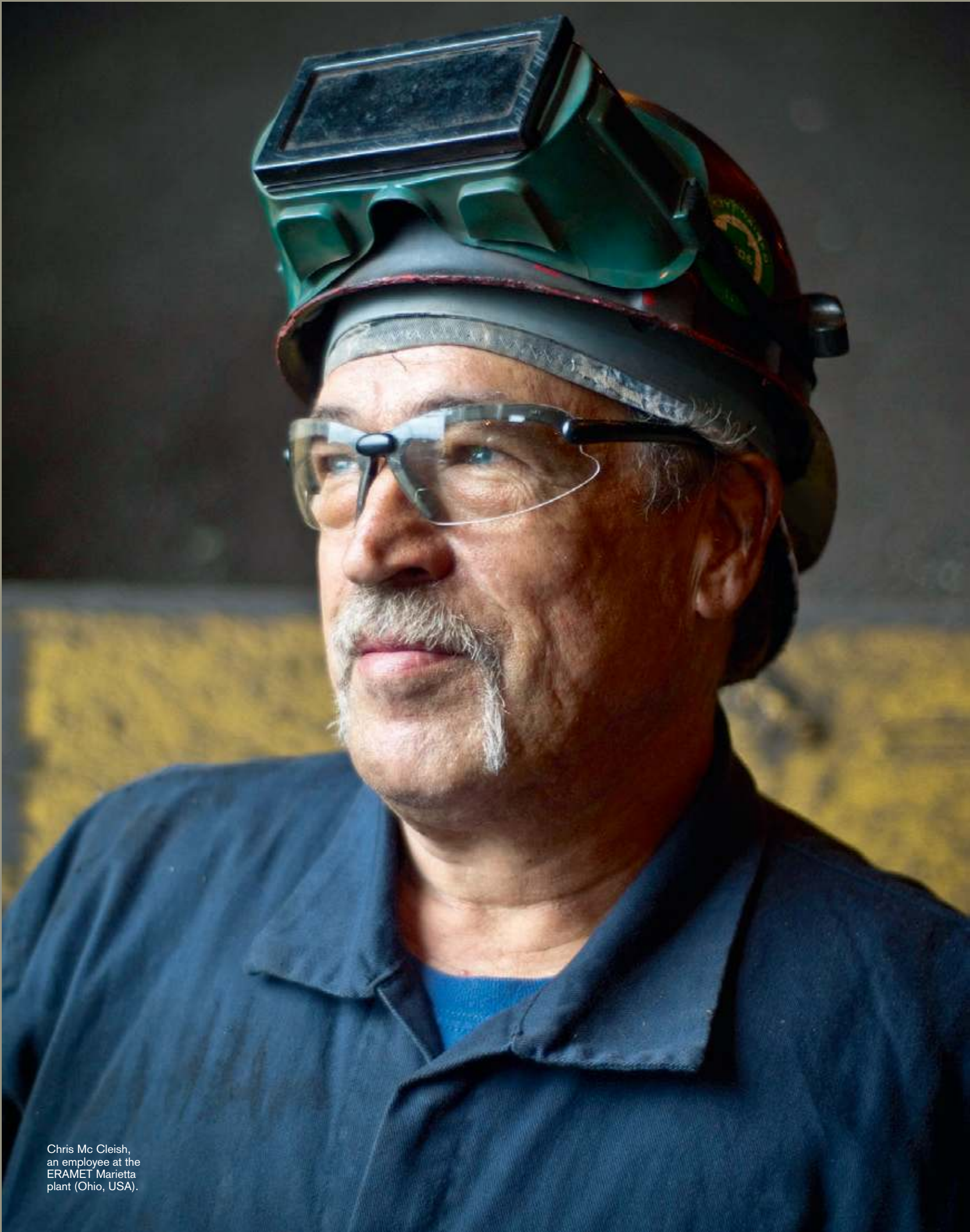
Worldwide, activity was suspended at three plants: Daoer in China, Marietta North in the United States and the catalyst calcination plant in Canada. Comprehensive support plans were set up to facilitate the placement of the personnel made redundant. At Marietta North, the mechanism combines various practices that are seldom used in the United States, such as business start-up assistance and allowance payments. The Canada plant was idled, with a maintenance team kept on site. →

ENHANCING MANAGEMENT

The ERAMET Leaders Programme (ELP) brings together intakes of 20 or so people for a week. Human resources, safety, finance, sales, quality, environment... every relevant issue is addressed

with internal and, in some cases, external contributors, together with real-life cases. In 2009, the Alloys Management Institute was created. Intended for managers and supervisors, it forges

closer bonds between participants and builds their skills on safety, project leadership, financial management and lean management, etc.



Chris Mc Cleish,
an employee at the
ERAMET Marietta
plant (Ohio, USA).

→ Dialogue with employees and their representatives led to the invention of some original solutions. At Dunkerque, France, for example, teams concentrated their work over three days – Friday, Saturday and Sunday - to use cheaper weekend electricity (the site's furnaces consume a great deal of energy).

CONTROLLED IMPACT

As a result of that mobilisation, few departures occurred relative to the scale of the crisis. During the year, ERAMET's headcount decreased from 16,000 to 15,000 people. The countries affected by job cuts, whether from natural departures or redundancies, are mainly the United States, Sweden and China and, to a lesser extent, Norway, New Caledonia, Gabon, Belgium and France. The job situation and trends, with the mechanisms and actions set up and the agreements entered into with personnel representatives, was tracked on a weekly basis, subsidiary by subsidiary and site by site. This monitoring was made available to the Executive Committee, which examined it every two weeks, and to employee representation bodies.

FURTHER PROGRESS ON BENEFITS

The progress made on benefits in 2009 also helped to offset some negative effects of the crisis. Substantial adaptations meant employees on reduced working hours did not lose any coverage. A large number of agreements signed with personnel representation bodies – no fewer than five in New Caledonia, for instance, where benefits were overhauled to improve management while maintaining a high standard of protection.

40%

OF NEW RESEARCH
CENTRE RECRUITS
IN 2009 ARE WOMEN.

Another highlight of the year was the free share plan implemented for all ERAMET employees.

Among other points of progress during the year, employee savings policy was extended worldwide with the prospect of setting up time savings accounts in all countries. Similarly, a single salary policy and mobility system is being rolled out for the entire Group.

Other noteworthy items include the setup of a dedicated human resources information system for managers to facilitate management of careers and other aspects, and the preparation of specific mechanisms for the employment of seniors and the prevention of psycho-social risks, in accordance with new French legislation.

A DEMOCRATIC SHARE DISTRIBUTION PLAN

Whereas the global crisis froze metallurgical activities worldwide, in February 2009 ERAMET announced exceptional results for financial 2008. In addition to very high profit-sharing in relation to its historical earnings, the Group decided to grant free shares to all its employees in all countries. The EraShare plan is not only unique because of the economic context to its implementation, but also because of its scale. 85,000 shares were distributed to 15,000 employees (at least six months' seniority was the only criterion). The operation was perceived as a clear sign from the Group's management to its personnel, a sign of ERAMET's soundness, attachment to its people and confidence in the future. •



Dumper operators
in Moanda, Gabon

ACTIONS BASED ON NEEDS ANALYSIS

From in-depth analysis of workplace safety to training in safety concepts,
promoting safe behaviour and conducting specific audits,
the Health & Safety department's
structured determined approach covers
the entire ERAMET group.

Since 1999, ERAMET's efforts on workplace safety have led to a substantial reduction in the lost-time accident rate. In ten years, the number of accidents per million hours worked has been cut from 24.2 to 5.3. In accordance with the International Labour Organization's definition, this rate does not include fatal accidents. In 2009, an employee operator on the Gabonese railway was the victim of a fatal accident. The in-depth work done in this recent Group subsidiary to change behaviour remains a priority, not only for the teams in charge of safety but also for the management of Comilog and the Manganese division in general.

A SYSTEMATIC, FAR-REACHING ANALYSIS OF CAUSES

Whenever an accident occurs, its causes are identified and addressed through corrective actions. These root cause analyses are provided to the Health & Safety department, which checks they are relevant. Safety audits are also conducted regularly. The slowdown in activities led to some of the audits being postponed. This schedule adjustment was an opportunity to focus on support and training for Health & Safety facilitators

5.3

LOST-TIME
ACCIDENT
RATE IN 2009.

In total, ten health & safety and EHS (health, safety & environment) audits were carried out. At Sandouville, a Sevoso Upper Threshold site, a Safety Management System component was added. This specific audit showed it could be incorporated into the OHSAS 18001 matrix as part of health & safety management system certification, making the process simpler and cheaper. An "agency work" audit was also conducted at both Issoire, France units (A&D and Interforge). In addition, support was set up to meet needs arising from new appointments or transfers by site health & safety managers or from specific requests, for instance to facilitate implementation of specific safety tools at P.T. Weda Bay Nickel in Indonesia. After the rollout in 2008 of a common HSE matrix, Health & Safety, Communications and Sustainable Development departments continued to work together with the definition of a qualification system for internal auditors, in operation since January 1st, 2010. A Group standard (HSE 16 SMS 02) formalises the main items: for auditors, training and skill appraisal; for audit execution, all operations before and during the process.



Employees in Kvinesdal (Norway) at the end of their shift.

SAFETY CONCEPT TRAINING

As employees were more available in 2009, direct or assisted training was scheduled, with or without external consultants. Internally, training on safety concepts such as management's criminal liability was organised for personnel at Aubert & Duval's SUPA machining workshop, members of the Pamiers management team, 10 P.T. Weda Bay Nickel employees (the root cause method) and Imphy management (safety concepts and criminal liability). Training done in partnership with external consultants included the preparation and implementation of a module focusing on behavioural aspects for ERAMET Research and A&D Les Ancizes, to be rolled out in 2010.

For the Health & Safety department, another feature of 2009 was a high number of specific assignments. These included inventories of company premises and inspections of new or recently consolidated sites in China (Guangxi, Chongzuo and Tianjin), Norway (Tinfos), Indonesia (P.T. Weda Bay Nickel) and New Caledonia. •

IO

HEALTH &
SAFETY AND
HSE AUDITS
COMPLETED
IN 2009.

SPECIAL BONDS WITH POPULATIONS

Worldwide, ERAMET has special bonds with the communities around its sites.

Its actions in favour of health, education, solidarity or culture build on its activities' economic and social impact.

They are taken in close liaison with public authorities and populations.

ERAMET has common interests with its host countries. These are embodied in states' and public authorities' stakes in its subsidiaries. New Caledonia's provinces, through STCPI, hold 34% of SLN, the Group's local subsidiary. In Gabon, the state holds 25% of Comilog, which also manages the railway on behalf of public authorities. In Indonesia, the state owns a majority interest in Antam, ERAMET's partner. Antam holds 10% of ERAMET's subsidiary P.T. Weda Bay Nickel, with an option to acquire up to 25%, then 40% at a later stage. These interests are also shared with local populations, as the Group's activities have a very significant impact in terms of direct and indirect jobs in the regions concerned.

Close-up

COMPLETE INTEGRATION INTO CHINESE SOCIETY

Participation in local life in China differs in some respects from practices in other countries. The country's rapid economic growth means that the environment is a major issue. New government

directives oblige companies to look further ahead. In this area ERAMET applies its own standards, which go beyond its legal obligations. Moreover, the management as well as the personnel of its sites are

mostly Chinese, with just six expatriates out of 2,350 employees. As a result, the Group's bases are naturally fully integrated into local society.

SOCIAL, HEALTH AND EDUCATIONAL PROGRAMMES

Beyond that convergence of interests, ERAMET rolls out extensive programmes on social, health, educational and cultural issues. In Gabon, social aspects account for 13% of Comilog's operating expenses. A large part of the infrastructures in the town of Moanda were funded by Comilog, including schools, hospital, maternity ward, and employee housing (1,000 units built for personnel). Comilog is particularly active on health issues, for instance through its Gamma initiative on AIDS.

Conducted in consultation with the country's health authorities, Gamma is a complete programme that covers information not only for young people but for the entire population, as well as adapting workstations for sick people and managing their treatment. Free condoms are given out and free, anonymous screening is available to employees and their families.

Comilog's action also concerns the environment. Extensive rehabilitation work has been done on the Moulili river, including a waste water recovery system with settling tanks.

DEVELOPING MICROCREDIT

ERAMET is also directly involved in developing micro-credit. In New Caledonia, its local subsidiary SLN is one of ADIE's (economic initiative association) oldest partners. The programme involves helping people who are excluded from work and the banking system to carry out a professional project. For eight years, SLN has contributed €17,000 annually to ADIE projects near its mining centres. The subsidiary also contributes to funds for loans on trust.

Another SLN initiative, the sponsoring programme "Les Nickels de l'initiative," was founded in 1992, to foster innovative projects in the environmental, cultural, sports and community fields. In 16 years, almost €600,000 has been distributed to 180 winners.

Moreover, SLN is the leading partner to NC 2011, the organising committee for the 2011 Pacific games in New Caledonia.

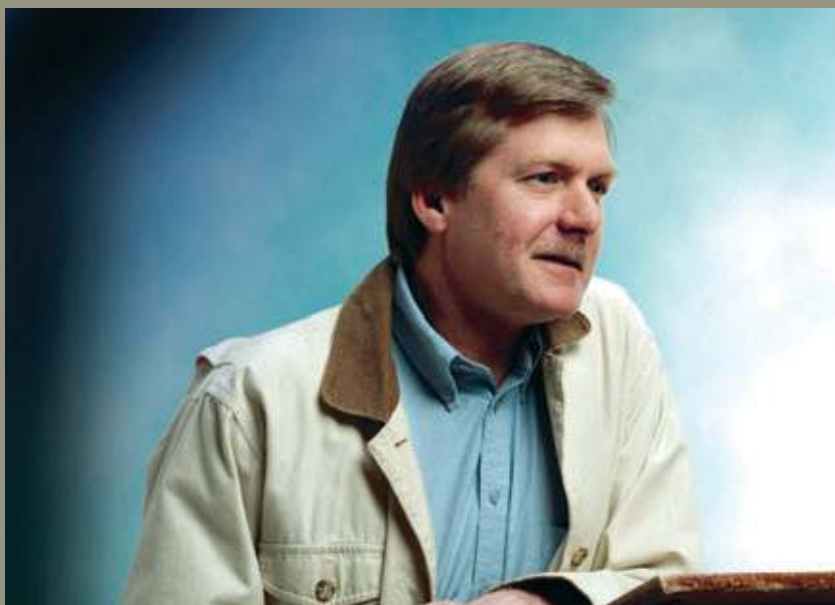
CONNECTIONS WITH LOCAL STAKEHOLDERS

In Europe, relations with the neighbours of industrial sites are just as regular, particularly through local elected officers and authorities. The launch of the project for a dedicated Aubert & Duval titanium plant in Saint-Georges-de-Mons, Auvergne, France, on April 10th, 2009 was an opportunity to bring all those stakeholders together. A project of this kind helps to keep and develop industrial skills, direct and indirect jobs and training in regions.

SUPPORT FOR SOCIAL & EDUCATIONAL PROJECTS

ERAMET's support for social and educational projects is just as effective in Europe, albeit with an adapted approach. As there are many structures and associations with know-how in these areas, the Group works more as a sponsor than an organiser. Aubert & Duval, for instance, opted to return ownership of its sports and cultural facilities to Les Ancizes local authorities and its commitment is now embodied in financial support.

In 2009, the Group's employees rallied to collect funds for the food bank federation and to convey the metallurgy trade federation UIMM's campaign aimed at improving the industry's image and making its professions more attractive to young people. •



Michael Mullen, Mayor of Marietta
(Ohio, USA).

MOBILISING TOGETHER

WHAT WAS YOUR ROLE IN HELPING TO BRING ERAMET MARIETTA AND THE NEIGHBORS FOR CLEAN AIR AND OHIO CITIZEN ACTION TOGETHER TO SEEK A COMMON RESOLUTION TO THE ISSUE OF THE ENVIRONMENT IN THE AREA?

In this situation, my role as an elected official was to help facilitate communication between the parties. Knowing that there had been much animus, and the resulting negative press between ERAMET Marietta and these environmental groups, the first step was to put everyone around the same table for face to face discussions.

WHAT CHANGES HAVE YOU SEEN SINCE ERAMET MARIETTA AND THE GROUPS HAVE BEEN MEETING REGULARLY?

I've seen much less animosity in the media's portrayal of the situation and the whole good guys versus bad guys, us-against-them theme and I believe it is the most positive outcome. What we've seen through this situation is two groups come together to better understand the issues, from all angles. It isn't a black and white situation and the only way to get to any type of resolution to a

complex issue like this is through understanding and openness to differing viewpoints.

DEFINE ERAMET MARIETTA'S ROLE IN THIS COMMUNITY

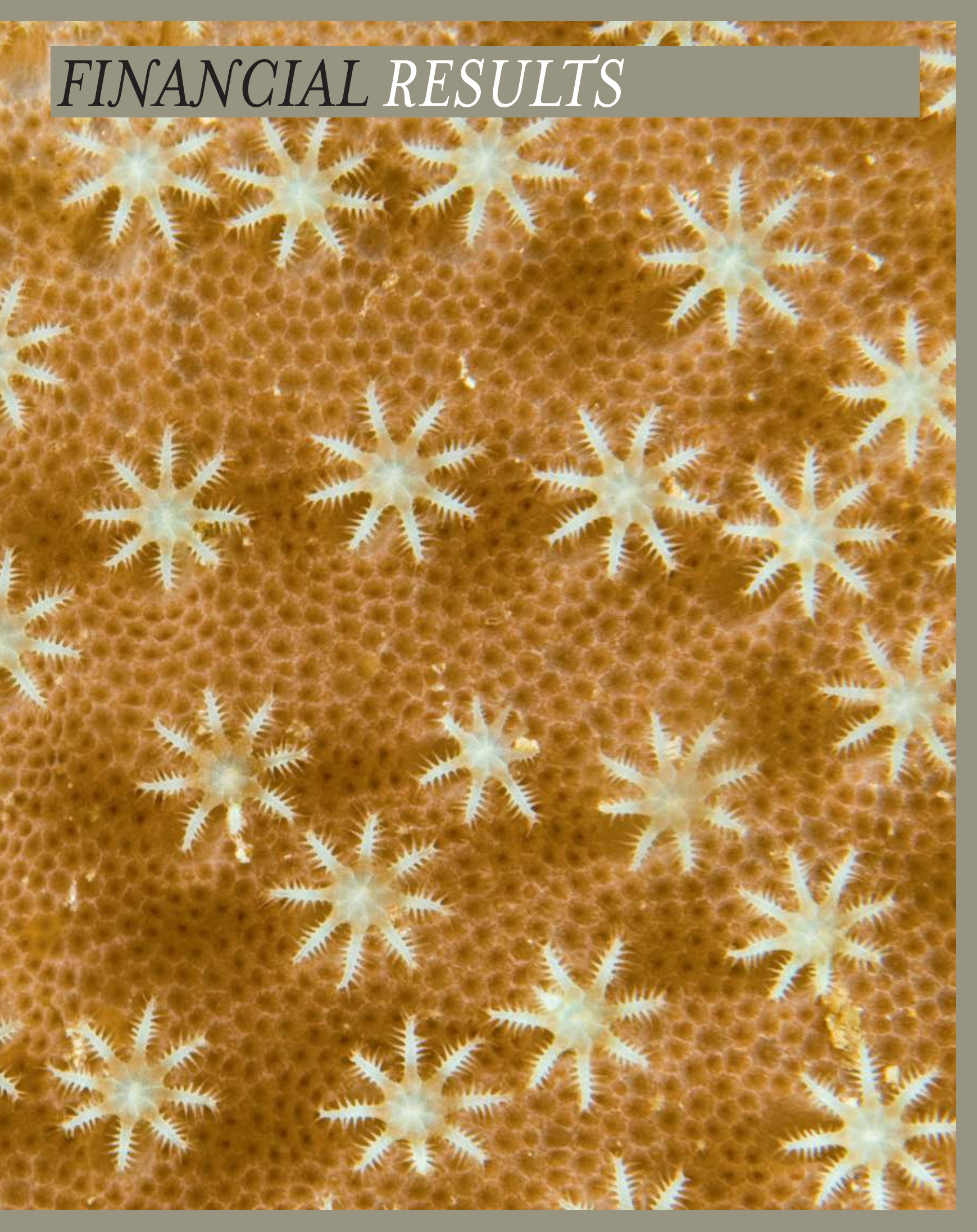
Throughout my life in Washington County, ERAMET Marietta and the other facilities that sprang up after Union Carbide split into many plants, have been a huge part of our economy, and had a huge impact on the quality of life for the people of the region. Good jobs equal prosperity, and many lives have been positively impacted by ERAMET Marietta and its forerunners.

Through ERAMET's commitment to corporate citizenship, and support of organizations, businesses and non-profit groups, it is my hope that we will continue to work together to effect change for the greater good of the community. ERAMET is a big part of this city's past, and we trust that with continuing investment in modernization and new technology at the facility that ERAMET is poised to play an important role in the well being of Marietta and the region for many years to come.



*NEW CALEDONIA'S
LAGOON IS LISTED
AS A UNESCO
WORLD HERITAGE
SITE. ERAMET,
IN PARTNERSHIP
WITH SCIENTIFIC
ORGANISATIONS,
STUDIES HOW THE
MARINE ECOSYSTEMS
FUNCTION.*

FINANCIAL RESULTS

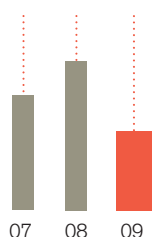


CONSOLIDATED FINANCIAL STATEMENTS

TURNOVER

(€ millions)

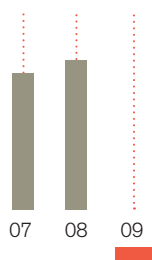
3,792 4,346 2,689



CURRENT OPERATING INCOME (LOSS)

(€ millions)

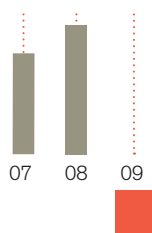
1,196 1,321 - 163



NET INCOME (LOSS), GROUP SHARE

(€ millions)

582 694 -265



INCOME STATEMENT

TURNOVER

The ERAMET Group's turnover totaled €2,689 million in 2009, down 38% from 2008's very high figures as a result of the fall in sales prices and volumes, particularly in manganese. Nevertheless, turnover rose 19% in the 4th quarter of 2009 compared with the previous quarter, thanks to improved market conditions for nickel and manganese and the Group's ability to respond to the upturn in demand.

CURRENT OPERATING INCOME (LOSS)

A current operating loss of -€163 million was recorded, compared with income of €1,321 million in 2008, i.e. an operating margin of 6.1%, a substantial decrease from 2008 (+ 30%).

The €1,484 million drop in current operating income mainly results from the sharp fall in manganese and, to a lesser extent, nickel prices, and from significantly lower volumes at ERAMET Manganese and ERAMET Alloys.

OPERATING INCOME (LOSS)

An operating loss of -€267 million was posted, compared with income of €1,243 million in 2008. It takes into account €51 million in asset depreciation, of which €47 million for Erasteel, €23 million in losses of assets (options and development expenses) following the shutdown of operations in Namibia, €8 million in expenses, mainly with respect to actuarial depreciation of pension plans (USA and Norway) following their freezing, and €7 million in provisions for lawsuits with freight suppliers.

NET INCOME (LOSS)

The Group recorded a net loss of -€261 million, compared with income of €855 million in 2008, after taking into account:

- positive net debt cost at €11 million, of which +€14 million in revenue from cash invested on the market and -€3 million in currency translation expenses;
- other financial revenue and expense, which represent expense of €12 million, mainly €9 million in accretion expense, and €6 million in revenue following the valuation of financial instruments not qualified as hedging, and an exchange rate loss of €5 million with respect to the cancellation of hedging;
- a €7 million tax credit, i.e. an effective rate of 3% compared with 29% in 2008. The low tax rate in 2009 takes into account the tax inspection at SLN for €49 million, -€15 million in deferred tax, €10 million in withholding tax, €16 million for the non-fiscalisation of Erasteel's asset depreciation and €17 million for the non-recognition of deferrable deficits generated during the period for some entities.

NET INCOME (LOSS), GROUP SHARE

A net loss of -€265 million was recorded, compared with income of €694 million in 2008, after €4 million for minority interests' share of net income.

FINANCING⁽¹⁾

The Group's net cash⁽²⁾ totaled €946 million as on December 31st, 2009, compared with €1,133 million on December 31st, 2008. This decrease results from the following movements:

- €112 million in net operating cash flow (1,140 M€ in 2008);
- -€293 million in net cash flow used in investing activities, of which €286 million in capital expenditure and €88 million in financial investments (additional acquisition of Tinfos stock for 41.07%, of which 74 paid in ERAMET shares and 14 paid in cash), and €93 million in divestment by the sale of 33.4% of Strand Minerals to Mitsubishi;
- €71 million in net cash flow used in financing activities, of which €163 million in dividends paid (of which 136 to ERAMET shareholders and 27 to minority shareholders in subsidiaries), €74 million in share capital increase in compensation for part of the acquisition of Tinfos (cf. previous item) and €20 million for the sale of Strand receivables to Mitsubishi;
- €65 million for the positive impact of currency fluctuations.

CONSOLIDATED BALANCE SHEET

The Group's assets totaled €5,270 million as on December 31st, 2009, compared with €5,969 million as on December 31st, 2008.

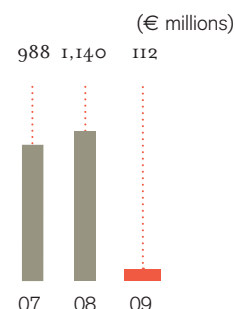
This €699 million decrease mainly results from:

- in assets: a sharp fall in inventory (- €418 million) and other working capital items (- €202 million) and a decrease in active cash items (- €115 million);
- in liabilities: the reduction in shareholders' equity (- €227 million), the increase in provisions and borrowings (€169 million) and the sharp drop in working capital liabilities (- €662 million).

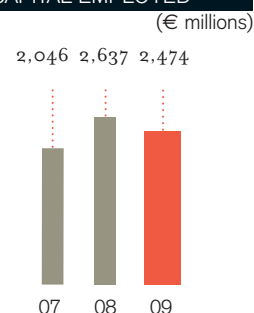
(1) See p. 70, "Cash flow statement".

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

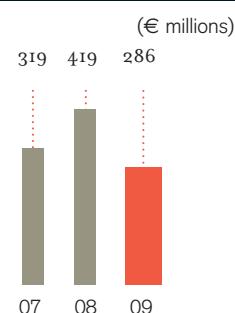
OPERATING CASH FLOW



CAPITAL EMPLOYED



CAPITAL EXPENDITURE



BALANCE SHEET

(IFRS standards, € millions)

	2009	2008
Assets		
Goodwill	161	263
Intangible assets	432	345
Property, plant and equipment	1,795	1,763
Equity accounted companies	21	-
Other non-current financial assets	100	137
Deferred tax	68	32
Other fixed assets	5	6
Total fixed assets	2,582	2,546
Inventories	824	1,242
Trade receivables	514	597
Tax receivables	43	141
Financial derivatives	90	111
Other current financial assets	405	388
Cash and cash equivalents	812	944
Total current assets	2,688	3,423
Total assets	5,270	5,969
Shareholders' equity and liabilities		
Share capital	80	80
Share premiums	341	345
Change in fair value of assets	6	(8)
Financial instrument reappraisal reserve	24	(54)
Translation adjustments	(32)	(132)
Other reserves	2,116	2,430
Group share	2,535	2,661
Minority Interests	970	1,071
Shareholders' equity	3,505	3,732
Personnel commitments	128	121
Provisions	314	271
Deferred tax	297	240
Borrowings – long-term portion	199	92
Other non-current liabilities	36	22
Total non-current liabilities	974	746
Provisions – short-term portion	29	32
Borrowings – short-term portion	72	107
Current trade payables	590	907
Tax payables	74	287
Financial derivatives	26	158
Total current liabilities	791	1,491
Total shareholders' equity and liabilities	5,270	5,969

INCOME STATEMENT

(IFRS standards, € millions)

	2009	2008
Turnover	2,689	4,346
Other income	(20)	126
Cost of products sold	(2,429)	(2,768)
Administrative & selling costs	(142)	(141)
Research & development expenditure	(39)	(58)
EBITDA	59	1,505
Fixed asset amortisation and depreciation	(210)	(186)
Depreciation expense, provisions	(12)	2
Current operating income	(163)	1,321
Other operating income and expense	(104)	(78)
Operating income	(267)	1,243
Net cost of debt	11	34
Other financial income and expense	(12)	(75)
Share in earnings of affiliates	-	-
Income tax	7	(347)
Net income (loss)	(261)	855
– minority interests	4	161
– Group share	(265)	694
Net (loss) income per share (EUR)	(10.16)	27.03
Net (loss) income per share fully diluted (EUR)	(10.16)	26.96
Net income (loss)	(261)	855
Translation adjustments on financial statements of subsidiaries in foreign currency	109	(123)
Change in financial instrument reappraisal reserve	135	(109)
Change in fair value of assets	21	(13)
Income tax	(53)	46
Other all-inclusive income items	212	(199)
All-Inclusive incpme (loss)	(49)	656
– minority Interests	24	144
– Group share	(73)	512

CASH FLOW STATEMENT

(IFRS standards, € millions)

	2009	2008
Operating activities		
EBITDA	59	1,505
Elimination of non-cash or non-business items	(101)	(395)
Cash flow	(42)	1,110
Net change in operating assets and liabilities	154	30
Net cash flow from operating activities	112	1,140
	68	
Investing activities		
Capital expenditure	(286)	(419)
Financial investments	11	(425)
Disposals of long-term assets	3	11
Investment subsidies received	-	-
Changes in accounts payable and liabilities on long-term assets	(11)	(4)
Consolidation adjustments and financial loans	(10)	27
Dividends from equity accounted companies	-	1
Net cash flow used in investing activities	(293)	(809)
	5,270	
Financing activities		
Dividends paid	(164)	(205)
Share capital increases	74	119
Net change in working capital with respect to financing activities	19	-
Net cash flow used in financing activities	(71)	(86)
Currency translation adjustments	65	(66)
Increase (decrease) in net cash position	(187)	179
Opening cash (debt) balance	1,133	954
Closing cash (debt) balance	946	1,133

CHANGES IN SHAREHOLDERS' EQUITY

(IFRS standards, € millions)

	Number of shares	Share capital	Premiums	Reserves/ fair value of assets	Reserves/ financial instruments	Translation	Other reserves	Total Group share	Minority interests	Total
Shareholders' equity as on December 31st, 2007	25,905,621	79	223	-	18	(30)	1,904	2,194	841	3,035
Net income (loss)	-	-	-	-	-	-	694	694	161	855
Translation of financial statements of subsidiaries in foreign currency	-	-	-	-	-	(102)	-	(102)	(21)	(123)
Change in financial instrument reappraisal reserve	-	-	-	-	(72)	-	-	(72)	4	(68)
Change in fair value of assets	-	-	-	(8)	-	-	-	(8)	-	(8)
Other all-inclusive income (loss) items	-	-	-	(8)	(72)	(102)	-	(182)	(17)	(199)
Total all-inclusive income (loss)	-	-	-	(8)	(72)	(102)	694	512	144	656
Dividends paid: €6.00 per share	-	-	-	-	-	-	(154)	(154)	(51)	(205)
Share capital increases	309,610	1	122	-	-	-	(5)	118	1	119
Purchase of treasury shares	-	-	-	-	-	-	(10)	(10)	-	(10)
Payments in shares	-	-	-	-	-	-	2	2	-	2
Changes in percentages of interests of interests in subsidiaries	-	-	-	-	-	-	-	-	136	136
Other adjustments	-	-	-	-	-	-	(1)	(1)	-	(1)
Total transactions with shareholders	-	1	122	-	-	-	(168)	(45)	86	41
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	-	-	-	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)
Purchase of 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

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, etc.

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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