



CARPENTER
Specialty Alloys

AUBERT&DUVAL

LONG TERM AGREEMENT SUPER ALLOYS

This contract (hereinafter referred to as the “**Contract**”, together with its attachments) is made on this 30th day of November 2010 by and between:

Carpenter Technology Corporation, a corporation, whose registered offices are situated at 101 W. Bern Street, Reading, PA, U.S.A., represented by Mr. William A. WULFSOHN – President and Chief Executive Officer, (hereinafter referred to as the “**Seller**”)

And

Aubert & Duval, a simplified joint stock company, whose registered offices are situated at Tour Maine-Montparnasse, 33, avenue du Maine 75755 Paris Cedex 15, represented by Mr Georges DUVAL – President, (Hereinafter referred to as the “**Buyer**”)

The Buyer and the Seller are hereinafter severally referred to as “**Party**” and collectively referred to as the “**Parties**”.

1. Purpose

The purpose of this Contract is to determine the general terms and conditions under which the Seller shall sell and deliver and the Buyer shall purchase and take delivery of the Products as hereinafter defined.

2. Definitions

“**Added Value**” shall mean the costs of transformation, control and machining added to the material during the processing of the part by the Buyer and its subcontractors and /or Customers.

“**Critical Period**” shall mean a period of time during which the average level of defect occurrences is greater than 1% and greater than what is routine.

“**Customers**” shall mean the Buyer’s customers.

“**Defects**” or “**Defective**” shall mean internal metallurgical defects such as white spots, non metallic inclusions, other internal defects, or dimensional defects. A Product shall be deemed Defective if:

- it has been properly handled, stored and used by Buyer,
- the Product materially deviates from the chemical, physical or mechanical requirements described in the Buyer’s applicable specifications, as agreed between the Parties, or the Seller’s standard manufacturing and commercial tolerances, variances and practices.

“**Elements**” shall mean basic raw material which constitute the metal (Nickel, Cobalt, Iron, Molybdenum, Columbium and Chromium.)

“**Products**” shall have the meaning set forth in clause 3.

“**Market**” shall mean total annual volume of Products purchased by the Buyer, over which the Buyer has the choice of qualified suppliers. The Market will be calculated on the base of the following.

- For billets: the weight of the billets ordered
- For ingots: the weight of “good” material ordered, i.e., the Buyer will not take into consideration the top and bottom ends of the ingots, which will be paid at a fixed value (1.5 \$/lb) and then returned to the Seller at the same value.
- For electrodes: the ordered weight of the electrodes, excluding the overage.

“**Targeted Market Share**” shall have the meaning set forth in clause 5.

“**Guaranteed Market Share**” shall have the meaning set forth in clause 5.

“**Stock Order**” shall mean an order for an item concerned by the stocking program.

3. Product and Specifications

3.1 The Products to be sold under this Contract are super-alloy billets (718, Waspaloy, 901), for the aerospace (jet engines and structural parts) and power generation markets, electrodes and super alloy ingots (706, 718) for the power generation market.

3.2 The Seller expressly agrees that the Products shall comply with the specifications detailed in Attachment 1 of this Contract.

3.3 REACH

3.3.1 The Seller warrants that it complies with Regulation (EC) No. 1907/2006 of the European Parliament and of the Council of 18 December 2006 ("REACH"), and namely:

(i) that the Substances contained in or composing the Products sold under this Agreement have been or will be Pre-registered, Registered or, as the case may be, have been or will be the subject of an Authorization Request, by itself, its Only Representative (if any), or by any Manufacturer, Only Representative or Importer involved upstream in the supply chain, within the required time periods and for the Client's Uses,

(ii) that it shall provide the Buyer with all the safety data sheets in accordance with the provisions of Article 31 of REACH or, if such safety data sheets are not required, with all the information referred to in Article 32 or 33 of REACH,

(iii) or, if it is established outside the European Community and no Only Representative has been appointed by it or any other non-European manufacturer involved upstream in the supply chain, that it shall cooperate with the Buyer and provide it with any useful information to enable the Buyer to comply with REACH.

The capitalized terms referred to above shall have the meaning ascribed to them by REACH.

3.4 SPECIAL CONDITIONS FACED WITH RADIOACTIVITY:

3.4.1 At the delivery of the Products, the Seller undertakes that freight loads must not contain any sealed material and should be free from any level of radioactivity higher than the norm: the discharge measured in any part of the freight should not be significantly higher than the average fluctuation of radioactive levels in the environment measured in the same place without the presence of the freight.

3.4.2 In case of detection of any sealed material or a level of radioactivity higher than the norm at the delivery of the products:

- The suspected vehicle will be parked with the freight loads in a special area of the Buyer's site, prepared for such eventuality.

- The Seller will be informed immediately.

- Precise measures may be taken by the Buyer in order to take appropriate decisions. Under no circumstance will they be considered as a reception of the Products or as a transfer of ownership.

- The Seller shall therefore bear any and all costs concerning all appropriate measures which shall be taken, by the Buyer or by the Seller, in order to remove and eliminate the radioactive material.

- The Seller undertakes to immediately replace contentious Products at its own costs within a lead-time which will be at its maximum equal to the current market lead-time at time of rejection taking into account an express mean of transportation.

4. Coming into force, Duration, Order of Precedence

4.1 The Contract shall come into force on January 1, 2011 and shall remain in force until December 31, 2015.

4.2 The Parties shall meet annually during the term hereof to review performance hereunder and, before December 31, 2014 to discuss the possibility of an extension of the

Contract terms.

4.3 For this Contract, the documents listed in the order of precedence are:

- (i) The Contract,
- (ii) The Specifications,
- (iii) The Order, and
- (iv) Any other contractual documents.

5. Quantity, Market Shares

5.1 The Buyer estimates the requirements of Products to be delivered under this Contract to be a targeted market share (the "Targeted Market Share") of its Market and guarantees to buy a minimum amount of the Products representing a market share (the "Guaranteed Market Share") of its annual demand.

During the initial duration of the Contract (from January 1, 2011 to December 31, 2015) the targeted market share will be 70% (seventy percent) and the guaranteed market share will be 65% (sixty five percent).

If the Seller is not in a position to fulfill the clauses of the Contract in terms of share (70% of the volume) and stock, the Buyer shall have the right to find solutions by using alternative sources of supply without any impact regarding prices, rebates or any other condition of this Contract.

5.1.1 The Buyer shall not be obliged to purchase from the Seller, in any case, more than the Targeted Market Share.

5.1.2 The Guaranteed Market Share shall remain fixed for the duration of this Contract, except for the case of Clauses 5.3 and 9.4.

5.1.3 A quarterly review of actual consumption will take place at the conclusion of each quarter.

5.2 In the event that the Seller is not qualified to supply the Products defined in Attachment 1, the Seller and the Buyer will use commercially reasonable efforts to qualify the Seller. The Buyer will inform the Seller of the eventual costs associated to obtain such

qualification. The Parties agree to negotiate a cost sharing agreement in this respect.

5.3 In the event of important changes in the Market during the term of the Contract such as customers mandating a selection of specific suppliers for the majority of their ingot or billet purchases, the Buyer shall immediately inform the Seller and the Targeted Market Share shall be adjusted to take into account the changes in volume and/or suppliers. Customers may also materially increase or decrease demand suddenly. In such cases, the Buyer shall also immediately inform the Seller, and the Seller will use its best efforts to take into account the changes in volume and/or adjust production schedules accordingly.

5.4 The Buyer will submit a Qualification Plan including milestones within one month of Seller's request for approval of new equipment. If required, a trial order will be placed at the submission of the Qualification Plan. Buyer will approve said equipment (assuming a satisfactory result of the Qualification Plan) within the timeline specified in the qualification plan. A monthly review will be scheduled to track progress. Extended approval cycle times may endanger the continued supply of production quantities. If the cycle time required to forge, test and approve test material is longer than standard cycle time for routine production and testing, then the parties shall immediately meet to review the Qualification Plan and the reasons for the extended test cycle time.

6. Forecasts and Orders

6.1 Each month, the Buyer shall provide the Seller with a forecast detailing its requirements of Products for the following 12 months rolling minimum.

6.2 It is hereby agreed that such forecast will be an indication of the volume which may be ordered. This forecast will be used by the Seller to reserve capacity and calculate the volume of both consignment and buffer stocks. (See § 8)

The Seller will allocate the Buyer a monthly capacity. This allocation will be discussed between the Seller and the Buyer and may be amended every year should the Buyer's needs change significantly. The Seller will use commercially reasonable efforts to meet the increased volume needs of Buyer and will respond within four ("4") weeks from receipt of forecast as to whether Seller can meet Buyer's forecast. Capacity reservations will be released absent a confirmed order eighteen ("18") weeks prior to delivery in any AUBERT & DUVAL plant for billet material. For stock orders, if the Buyer pushes out delivery of orders or is not

taking inventory in the spirit of a 4 time turnover, the Seller will release capacity to bring inventory and demand in alignment.

The Buyer will place delivery orders at least six (“6”) months prior to the requested date of delivery. The Seller will acknowledge the scheduled shipment date of orders within 10 days maximum, taking into account the fact that the transit time agreed is four (“4”) weeks for sea freight.

6.3. CANCELLATION AND DEFERRAL POLICY

The Seller will accept fluctuations in demand, lead-times, etc. based on changing customers’ needs and will do its best to accommodate any changes received within its lead-time, which will have to be communicated to the Buyer every month.

As a general rule, the following will be the established policies for flexibility: these policies are applicable to A&D contracts as well as directed-buy deals (IHI and SNECMA for example).

6.3.1 Billets 718

A. For mill direct items:

❖ Deferrals and Cancellations:

1. Buyer can defer or cancel an order that is more than twelve (“12”) weeks (Hot Working) prior to delivery into PAMIERS.

2. For orders less than twelve (“12”) weeks (Hot Worked) prior to delivery into PAMIERS Buyer can defer an order by three (“3”) months.

3. Examples:

i. Order more than 12 weeks (not hot worked) prior to delivery into PAMIERS :

1. Date of requested deferral is 1st June 2011.

2. Order is scheduled to be delivered into PAMIERS 1st Nov 2011.

3. Order can be deferred or cancelled as requested by Buyer.

ii. Order is less than 12 weeks (already hot worked) prior to delivery into PAMIERS :

1. Date of requested deferral/cancellation is 1st June 2011.
2. Order is scheduled to be delivered into PAMIERS 31st July 2011.
3. Order can not be cancelled.
4. Buyer can defer by 3 months max.
5. Latest new delivery would be 31st Oct 2011.

B. For stock items:

❖ Deferrals:

1. Buyer can defer a release by three (“3”) months for material in stock or less than four (“4”) weeks of scheduled stock date which ever is further out.
2. Buyer can defer a release that is more than four (“4”) weeks (shipping from Reading) of scheduled stock date.

6.3.2 Ingots 706 & 718

A. For mill direct items:

❖ Deferrals and Cancellations:

1. Buyer can defer or cancel an order that is more than ten (“10”) weeks (VIM Melting) prior to delivery into PAMIERS.
2. For orders less than ten (“10”) weeks (VIM Melted) prior to delivery into PAMIERS Buyer can defer an order by three (“3”) months.
3. If Buyer does defer an ingot release that is less than ten (“10”) weeks prior to delivery into PAMIERS, a \$0.03/lb charge will be added to the price per week of storage. This fee will cover storage and financial costs.

B. For buffer stock items:

❖ Deferrals:

1. Buyer can defer a release by three (“3”) months for material in stock or less then 4 weeks of scheduled stock date which ever is further out.

2. If Buyer does defer an ingot release, a \$0.03/lb charge will be added to the price per week of storage. This fee will cover storage and financial costs.

3. Buyer can defer an order that is more then four (“4”) weeks (shipping from Reading) prior to scheduled stock date.

6.3.3 Electrodes 706

A. Mill direct items only:

❖ Deferrals and Cancellations:

1. Buyer can defer or cancel an order that is beyond six (“6”) weeks (VIM Melting) prior to delivery into PAMIERS.

2. For orders less then 6 weeks (VIM Melted) prior to delivery into PAMIERS, Buyer agrees to accept delivery as per original delivery schedule.

7 Price and Payment Terms

7.1 The prices are detailed in Attachment 2.

7.2 Adjustments to the prices shall be made according to the raw material costs and depending on the percentage of revert returned (at 1.5 \$/lb) as detailed in Attachment 2.

7.3 Adjustment shall be as follows:

- Quarterly for billets, based on the three (3) months average of the value of the Elements, 4 (four) months before the date of the adjustment, (for example, prices of 1st Quarter 2011 will be adjusted on the average of the values of September, October and November 2010)

- Monthly for ingots, based on the monthly average value of the Elements three (3) months before the delivery date.

- Monthly for electrodes, based on the monthly average value of the Elements two (2) months before the delivery date.

- Buyer and Seller agree to consider a change to the above processes if mutually acceptable.

- For all late and deferred orders within the 3 months allowed deferral period, the RMS used for invoicing shall remain the one used if the order had not been delayed or deferred.

7.4 The Buyer shall inform the Seller of the delivery dates and quantities of revert which must be at least at the Seller's plant two (2) weeks prior to the melting.

7.5 Depending on the policy of the Buyer's customers, the Buyer may require to hedge or purchase some Products in order to set the prices firm.

7.6 Upon notification of the Buyer's new requirements detailing the elements and the prices required for hedging (delivery dates, quantities and percentage of reverts), if possible with tolerances, the Seller undertakes to execute the advance delivery hedging or purchase of the elements within 2 (two) working days for hedging and to advance the agreed payment for the purchase of raw materials. Seller shall then inform the Buyer whether the hedge has been completed at the requested conditions or not and explains the reason why the hedge has not been fulfilled. In such cases, the Buyer will give new instructions (other level of hedging, closure of file...) to the Seller.

Should orders be deferred or pulled-in, if the material has been hedged and not melted, the Buyer shall be responsible for any hedge loss or gain.

7.7 Payment under this Contract shall be in United States Dollars and shall be made within sixty (60) days, end of month from the date of delivery. (ex stock Belgium)

7.8 A rebate on the prices based on the market shares shall be done quarterly as detailed in Attachment 2.

8 Revert Buy Back

At the Buyer's sole decision, revert (turnings or solids) shall be returned to the Seller at its plant located in READING, PA, USA at the Buyer's costs, after they have been cleaned through appropriate processes.

In the event of such return, reverts shall be weighed by the processor and bought back by the Seller at one dollar fifty cents \$1.50 per pound ("Fixed Price").

The Seller shall accept the revert return decision and shall reduce the price of the Product according Attachment No. 2.

This will apply, subject to an arrival of processed reverts at the Seller's plant, two weeks before the date of melting, (i.e. around 20 weeks for billets, 16 weeks for ingots, 12 weeks for electrodes). In order to facilitate the maintenance of one month inventory and buffer stock, Buyer will supply one month of buffer scrap and replenish the buffer scrap as Buyer consumes the buffer stock.

A monthly scrap reconciliation will be required to ensure the correct amount of scrap is delivered.

It is hereby agreed that the revert management shall only be subject to a discussion between the Buyer and the Seller; the Seller undertakes not to enter into discussion with the Buyer's customers regarding reverts dedicated to Aubert & Duval ("Buyer") requirements.

The Buyer and its customers may agree to add a percentage of reverts produced by the customers to increase to global level of revert on orders placed on the Seller. Should the Buyer's customers be in charge of processing and delivering the reverts to the Seller, the Seller may discuss with the Buyer's customers regarding reverts sold in that case.

9 Delivery

9.1 The Products shall be delivered DAP (Delivered At Place) Pamiers, Issoire or les Ancizes (France), according to the Incoterms of the International Chamber of Commerce, 2010 Edition. Freight terms (currently 0.20 \$/lb) will be reviewed periodically and

adjustments made based on increases/decreases in the cost of fuel. Adjustments will not be made if the costs of fuel remain within a +/- 20% band

9.2 The Seller hereby agrees to make its best efforts to prevent delays in deliveries and to take all measures necessary at its expense to prevent such delays including but not limited to airfreight. It is however, agreed that air transportation shall be used when the delay is equal to or greater than four (4) weeks and if the Buyer does not find any other way to meet the requested delivery date for its customer's parts.

9.3 The Seller shall inform the Buyer on a monthly basis of its delivery performance, according to the performance criteria defined with the Buyer.

9.4 In the event the Seller's delivery performance index is less than 95 % (at -3+0 days) over a three month period, the Buyer shall have the right to decrease the Guaranteed Market Share by 10 %. If the Seller's delivery performance index is less than 70 % over a six month period, the Buyer shall have the right to decrease the Guaranteed Market Share by 20 %. In either case, prices will remain unchanged.

9.5 EXPENSE RECOVERY

Seller will work with Buyer to establish appropriate performance measures. Should Seller not achieve these performance measures, both parties will meet to discuss corrective actions to remedy the deficient area.

In the event the Seller's delivery performance index is less than 70% for any calendar year during the effective period of this Contract, then the Buyer shall have the right to recover its reasonable out-of-pocket related expenses directly related to the delay of a specific shipment incurred in the following 6 month period calculated according to the following formula: 0.5% of that specific invoice amount per week, up to a maximum of 1.5% of that specific invoice, for any shipment beyond 7 calendar days late (measured against the acknowledged delivery date). Should Buyer decide to exercise its right to expense recovery, any amounts due from Seller pursuant to this paragraph shall be payable in the form of a credit toward future orders. The maximum amount recoverable under this paragraph is 1.5% of the invoice amount for the specific late shipment.

The foregoing paragraph applies to each calendar year of this Contract, except that for 2011, the measurement period shall be from June 1, 2011 through December 31, 2011. If this

Contract is not fully executed by June 1, 2011, then 2011 shall be omitted from this Section 9.5.

Delays resulting from Buyer's requested changes to delivery dates after order acceptance or from forces outside Seller's control including but not limited to strikes, government action, delays associated with import or export licenses, equipment failure, raw material shortages/availability, etc., will not be considered late for purposes of calculating Seller's delivery performance index under this Article 9 or eligible for expense recovery under this Section 9.5.

The Seller shall not be responsible for payment of any expenses under this Section 9.5 incurred or associated with a delay during any period in which Buyer is not in compliance with Section 5.4.

9.6 STOCK POLICY

9.6.1 Billets

Seller agrees to store billet items that have a minimum annual requirement of 25 metric tons.

This stock is applicable to Buyer's contracts as well as directed-buy deals (IHI and SNECMA for example).

Seller will strive to keep a minimum of 1 month consumption in stock + one month buffer – quantity will be determined based on the monthly forecast - Seller will perform a quarterly review and make necessary adjustments.

Stock will be as generic as possible to allow a maximum flexibility (specifications, random length etc.). FIFO policy will be applied.

Seller will provide weekly shipments.

Price will be applied based on first required delivery date by Buyer.

Seller can provide cutting service for mults if requested depending on the Seller's capacities.

Should a quantity in stock be used, the Seller will strive to have a replenishment time of

sixteen (“16”) weeks starting in January, 2012.

9.6.2 Ingots

Seller agrees to store 2 sets of ingots (approx. 150,000 lbs).

0.03 \$/lb will be added to the price per week of storage. This fee will cover storage and financial costs

Should a quantity in stock be used, the Seller will strive to have a replenishment time of twelve (“12”) weeks starting in January, 2012.

9.7 In case of a major quality problem or production disruption, the Seller shall immediately inform the Buyer of such disruption, its causes and the corrective actions taken, with an implementation plan. In such cases, the Buyer may order new raw material from another supplier to protect its customer’s program. As soon as the problems are solved, the Buyer will come back to the initial market shares (both guaranteed and targeted).

9.8 The Products sold under this Contract shall be weighted with the appropriate equipments and the weights so obtained shall be binding both Parties.

9.9 Tolerance on weights are generally described in the MPM023 at its latest revision. In the event there is a difference between the ordered weight and the delivered weight, the Buyer agrees to pay the difference only within the following tolerances:

- - 0% or + 2 % for the billets ordered for specific weights,
- + or – 10 % for billets ordered at random lengths,
- 0% for the good material of the 706 and 718 ingots: the overage will be paid at the “top and bottom” price, and returned at the same price.
- - 0 +200 kg for the electrodes. In case the weight is higher, the overage will be paid at the “top and bottom” price, and returned at the same price.

9.10 In the event the weight of delivered Products is below the ordered weight, after taking into account the tolerances of §9-9, and if the Buyer has not approved a concession for

the low weight, the Buyer shall have the option to refuse the Products and send them back at the Seller's expense, or to accept the Products and conduct a test on it. If the Buyer wants to conduct a test, the Buyer shall contact the Seller to discuss the potential test. If it is jointly decided to conduct a test and if the test is not successful, the Buyer shall return the material to the Seller at the seller expenses and not pay for it.

10 Risk of loss / Transfer of Property

Risk of loss and the property of the Products shall pass to Buyer when the Products are delivered on a "Delivered At Place" basis to Pamiers, Issoire or Les Ancizes (France)", according to the Incoterms of the International Chamber of Commerce, 2010 Edition.

11 Non conformity of Products

11.1 The Seller warrants that the Products delivered hereunder shall be in accordance with the specifications set forth in Attachment 1 hereof. If the Products supplied by the Seller are proved to be Defective as described in Definitions, the Seller shall be liable, as the sole and exclusive remedy, to the extent set forth in Section 11.4. The liability for the costs incurred is limited to Buyer's actual operational costs and subcontractor/customer costs through finish machining and inspection of parts.

11.2 CONCESSION REQUESTS

Seller will strive to reduce number of concessions (as defined in ACH002 in effect as of the date of this Contract) to 15% in 2011 (measured from June 1, 2011 through December 31, 2011, except in the event this Contract is not fully executed prior to June 1, 2011, then 2011 shall be omitted from this Section 11.2), 10% in 2012, 8% in 2013 and 8% in 2014. Should Seller not meet these targets, the Buyer may have the right to recover reasonable out-of-pocket expenses associated with specific concessions in the calendar year in which the targets were exceeded. Any amount due from Seller pursuant to this paragraph shall be payable in the form of a credit toward future orders. The maximum amount recoverable under this paragraph is US\$300 for each shipment that included a concession request that was directly related to Buyer's out-of-pocket expenses.

Buyer must respond to Seller's concession request within 7 business days, for concessions which can be solved by AUBERT & DUVAL (Buyer) only and within 14 business days for

concessions which need to be referred to Aubert & Duval's customer. If Buyer does not respond within this period, the concession request will not be considered for purposes of calculating percentages or expense recovery charges in this Section 11.2, and the subject order will not be considered late for purposes of calculating the delivery performance index addressed in Article 9.

Items not subject to Seller having to pay Concession charges include:

- Developmental items
- Concessions that do not create an "out-of-pocket" expense to Buyer.

The Seller shall not be responsible for payment of any expenses under this Section 11.2 incurred or associated with a concession request made during any period in which Buyer is not in compliance with Section 5.4.

11.3. CLAIMS

Should a discrepancy be revealed after the delivery of a Product, the Buyer shall inform the Seller of the defect within one (1) month from the date of its occurrence. Adequate evidences and a calculation of costs will be submitted with any claims.

The Parties shall communicate (email, meeting or conference call...) in order to determine whether they decide to continue manufacturing the parts concerned by the defect (if it was observed during an intermediate inspection), to keep on using the billet or the heat concerned to produce parts, and what should be the allocation of costs between the Parties if parts are rejected at the end of the test.

If an agreement is found between the Buyer and the Seller to share the risks and costs, the Buyer will proceed with the production and keep the Seller updated of the results. The agreed costs will be invoiced by the Buyer as soon as the parts are finished. If the Seller disagrees in taking the risk of bearing the costs of additional Added Value, it will have to replace the billet or to issue a credit note.

The credit note shall be forwarded to the seller within 30 days from receipt of the claim as soon as the Buyer forward evidences of the defect,

11.4 CRITICAL PERIOD

The Buyer shall inform the Seller of any ratio of defect higher than one percent (1%) on the material which has been delivered. This ratio will be measured in percentage of weight affected by defect versus weight delivered.

If the average annual rejection rate of all the billets is less than one percent (1 %), the relevant costs are limited to the material and the ACH 002 administrative costs: the Seller shall bear the cost of the rejected material, which has been delivered by replacing it or by issuing a credit note in favor of the Buyer.

As soon as a critical period is identified, i.e. as the average annual rejection rate of the billets, is higher than one percent (1%) the Seller shall bear the cost of the rejected material which has been delivered by replacing it or by issuing a credit note in favor of the Buyer and also bear the Added Value of the Buyer and its Customer, on the rejected parts up to an annual limit of 500,000 USD. In the event actual Added Value costs of the Buyer and its Customer exceed this annual limit in a given year (i.e., if Seller's actual payout in that year, under this paragraph, reaches the cap of 500,000 USD), then in the following year, the annual Added Value recovery limit shall increase to 1,000,000 USD. In the event the average annual rejection rate of the billets is one percent (1%) or less in the year in which the annual Added Value recovery limit is 1,000,000 USD, then the annual Added Value recovery limit will decrease to 500,000 USD in the following year.

11.5 In such cases, the Buyer may cancel the order placed on the Seller until the issue is solved and place orders elsewhere to protect its customers' program, without any impact on the price

12 Warranty

The warranty provided in Section 11.1 is the exclusive warranty provided by the Seller, and all other warranties, including implied warranties of fitness for use and merchantability, are waived. The contractual warranty shall be set for 24 months following the delivery.

13 Force Majeure

13.1 A Party is not liable for a failure to perform any of its obligations in so far as it proves:

- that the failure was due to an impediment beyond its reasonable control, and
- that it could not reasonably be expected to have taken the impediment and its effects upon its ability to perform into account at the time of the conclusion of the Contract, and
- that it could not reasonably have avoided or overcome it or at least its effects.

13.2 An impediment as here above mentioned, may result from events such as the following, this enumeration not being exhaustive: war; whether declared or not; civil war; riots and revolutions; acts of piracy; acts of sabotage; natural disasters; explosions; fires; destruction of machines; of factories, and of any kind of installations; boycotts; strikes and lock-outs of all kinds; go-slows; occupation of factories, plant or premises; and work stoppages which occur in the factories, plants or premises of the Party seeking relief; acts of authority, whether lawful or unlawful.

13.3 The Party seeking relief shall immediately give notice of such impediment and its effects on its ability to perform to the other Party, by registered letter with acknowledgement of receipt. The ground of relief takes effect from the time of the impediment or from the time of notice.

13.4 A ground of relief under this clause relieves the affected Party from performing its contractual obligations, as long as and to the extent that the impediment subsists.

13.5 Pending resumption of performance by the affected Party, the other Party may suspend its own performance.

13.6 If the grounds of relief subsist for more than thirty (30) calendar days, either Party shall be entitled to terminate the Contract with a thirty (30) calendar days written notice to the other Party.

13.7 An occurrence of force majeure shall not give rise to any compensation in any form whatsoever.

14 Miscellaneous

14.1 This Contract contains all the express provisions agreed on by the Parties with regard to the subject matter and the Parties waive the right to rely on any alleged express provision not contained herein.

14.2 No modifications of this Contract or waiver of any of its terms and conditions shall be effective unless made in writing.

14.3 The Parties agree that information regarding raw material specifications, production processes, market information prices, terms and provisions in this Contract is confidential proprietary information of the Parties.

14.4 A Party further agrees not to disclose any of this information to third parties, without the written authorization of the other one.

15 Termination

Each party understands that it is important for both parties to have direct contact with Customers.

During the term of this Contract, the Seller shall not solicit direct orders from Customers for the raw material which will be used by the Buyer to forge parts, in substitution of the Buyer.

Should the Seller violate this provision, Buyer should have the right, at its discretion, to terminate the Contract by sending a prior written notice at least three (3) months before the effective termination date.

16 Assignment

Neither Party may assign any of its rights and obligations hereunder without the written consent of the other Party, which consent shall not be unreasonably withheld.

17 Applicable Law and Arbitration

17.1 This Contract shall be subject to and the rights of the Parties shall be governed by the substantive laws of France.

17.2 All disputes resulting from, concerning the validity of or in connection with the present Contract shall be finally settled, under the Rules of Arbitration of the International Chamber of Commerce by three arbitrators appointed in accordance with the said Rules.

17.3 The place of arbitration shall be Paris (France). The arbitration shall be in the English language.

Carpenter



Aubert & Duval



Attachment 1

Specifications of the Products

Billets 718 : all STM related to double or triple melt 718 billets, at their latest revision approved by Buyer, particularly :

STM S0439C

STM S0428C

STM S04A0C

STM S04J0C

STM S04N0C

STM S04M0C

STM S04S0C

STM S04T0C, ...

Ingot 718 : all STM related to triple melt 718 ingots at their latest revision approved by Buyer, such as :

STM S0450C

STM S0453 C

Ingot and electrode 706 : all STM related to triple melt 706 ingots and electrodes at their latest revision approved by Buyer, such as :

STM S0208C

STM S0210 C

INCO 901

STM S1002C rev A00 du 11/09/01

ATTACHMENT 2

Prices & Rebate

28-juil-10		CARPENTER TECHNOLOGY - Price List for A&D(\$/lb)						YEAR
Melt Type	718	TM	TM	TM	DM	DM	DM	
Grain Size			30%	60%	0%	30%	60%	
Scrap Amount		0						
Scrap Price		0	\$ 1,50	\$ 1,50	\$ -	\$ 1,50	\$ 1,50	
MM	INCHES							
152	6	\$ 12,29	\$ 11,09	\$ 9,89	\$ 11,30	\$ 10,10	\$ 8,90	2011-2013
203	8	\$ 11,97	\$ 10,77	\$ 9,57	\$ 10,98	\$ 9,78	\$ 8,58	
254	10	\$ 11,89	\$ 10,69	\$ 9,49	\$ 10,88	\$ 9,68	\$ 8,48	
305	12	\$ 11,79	\$ 10,59	\$ 9,39	\$ 11,03	\$ 9,83	\$ 8,63	
330	13	\$ 11,69	\$ 10,49	\$ 9,29	\$ 10,70	\$ 9,50	\$ 8,30	
356	14	\$ 11,74	\$ 10,54	\$ 9,34	\$ 10,75	\$ 9,55	\$ 8,35	
0								
152	6	\$ 12,39	\$ 11,19	\$ 9,99	\$ 11,39	\$ 10,19	\$ 8,99	2014-2015
203	8	\$ 12,07	\$ 10,87	\$ 9,67	\$ 11,07	\$ 9,87	\$ 8,67	
254	10	\$ 11,99	\$ 10,79	\$ 9,59	\$ 10,97	\$ 9,77	\$ 8,57	
305	12	\$ 11,89	\$ 10,69	\$ 9,49	\$ 11,12	\$ 9,92	\$ 8,72	
330	13	\$ 11,79	\$ 10,59	\$ 9,39	\$ 10,79	\$ 9,59	\$ 8,39	
356	14	\$ 11,84	\$ 10,64	\$ 9,44	\$ 10,84	\$ 9,64	\$ 8,44	
0								

- 1) Pricing applies to 2011 - 2015 LTA
Fixed base prices subject to raw material and energy adjustment
- 2) All prices are DAP Pamiers, Issoire or Les Ancizes.
- 3) Raw material

Raw material base/lb	Reference	No scrap	x% scrap at 1,5
Ni 6,00 \$	LME Cash price incl premium metalprices.com /	per \$0,10 change	0,06
Cr 3,00 \$	Aluminothermic Chromium High Average metalprices.com / scrap moly	per \$0,10 change	0,021
Mo 25,00 \$	pure vacuum consumer north america "High"	per \$0,10 change	0,0035
Cb 23,00 \$	metalprices.com / mean average ironage/titanium/philadelphia	per \$0,10 change	0,006
Ti 5,00 \$	region/foundry/busheling 6_4 clips	per \$0,10 change	0,001

Cb will not be adjusted if the value remains within the 20 \$/lb - 26 \$/lb band
Ti will not be adjusted unless its value goes up above 10.00 \$/lb

$$P = P_0 + (0,6 * (Ni - Ni_0) + 0,21 * (Cr - Cr_0) + 0,035 * (Mo - Mo_0) + 0,06 * (Cb - Cb_0) + 0,01 * (Ti - Ti_0)) * (1 - x) + \text{energy}$$

- 4) All prices indicated above are for Random Length (see mult extra tab)
- 5) Market scrap price fixed at 5.50 \$/lb
- 6) Carpenter / A&D to maintain logistic/buffer agreement throughout the period.
- A&D is responsible / committed for any hedges Carpenter has purchased in the event quantity fluctuates.
- 7) Payment terms: 60 days, end of month
- 8) Prices valid for a market share of 70%
- 9) Energy : *Energy surcharge will not be applied if price of natural gas and electricity remains within a band of +/- 20%*
- Natural Gas**
Natural gas can be hedged for 24 months
Natural gas surcharge will be calculated as follows: Nymex monthly settlement price - \$6.00/mcf (basis) * 70 mcf/ton /2000
- Electricity**
Electricity cannot be hedged
Electricity surcharge will be calculated as follows: (Ec - Eb = \$/kwh) x M
Ec = current electric rate
Eb = 2008-2010 base rate
M = multiplier of kwh/lb
Example: in January 2011, our electricity rate goes to \$.090/kwh, the surcharge/adjustment would be calculated as follows:
\$.090/kwh (Ec) - \$.065/kwh (Eb) = \$.025/kwh x 3.75 (M) = \$.085/lb (adjustment)
The index for electricity can be found at:
<http://www.eia.doe.gov/cneaf/electricity/wholesale/wholesale.html>
Click on the .xls spreadsheet for the current year for the PJM West Trading Hub and the Pennsylvania region. Use the "weighted average price" for two months prior (most recent month will not have complete data - use November data for January invoicing). Note that the data is expressed in terms of MWh. The number must be divided by 1000 to obtain KWh.

CUTTING EXTRAS

<u>Length in inches</u>	<u>Exact length extra</u>	<u>Multiple bar/billet extra</u>
Under 6.000"	15%	2%
6.000 to 7.999"	13%	2%
8.000 to 9.999"	12%	3%
10.000 to 17.999"	11%	4%
18.000 to 37.999"	10%	5%
38.000 to 59.999"	13%	10%
60.000" and over	15%	10%

28-Jul-10

CARPENTER TECHNOLOGIES - Price List for A&D (\$/lb)

VALIDITY : 2011-2015

Melt Type			TM		TM		TM	YEAR	
Grain Size									
Scrap Amount			0		30%		60%		
Scrap Price			0.00		\$ 1.50		\$ 1.50		
	MM	INCHES							
	737	29	\$ 13.11		\$ 11.91		\$ 10.71	2011 - 2013	
	914	36	\$ 13.02		\$ 11.82		\$ 10.62		
	737	29	\$ 13.21		\$ 12.01		\$ 10.81	2014 - 2015	
	914	36	\$ 13.12		\$ 11.92		\$ 10.72		
Specifications			STM S0453						
			70% market share						

- 1) Pricing applies to 718 ingots deliveries in CY 2011 - 2015
Fixed base prices for 2011-2015 period, subject to raw material adjustment and energy
- 2) All prices are DAP Pamiers / Issoire (per Incoterms 2010)
- 4) Payment terms: 60 days eom
- 5) Crops (top & bottom) = 1,50 USD/lb
- 6) Price Revision formula for any 0.10 \$/lb variation in raw material price:

$$P=P0+(0,6*(Ni-Ni0)+0,21*(Cr-Cr0)+0,035*(Mo-Mo0)+0,06*(Cb-Cb0)+0,01*(Ti-Ti0))*(1-x)+ \text{energy}$$

Raw material base/lb	Reference	No scrap	x% scrap at 1,5	
Ni	6.00 \$ LME Cash price + premium	per \$0,10 c	0.06	0,06*(1-x)
Cr	3.00 \$ metalprices.com / Aluminothermic Chrome High Average	per \$0,10 c	0.021	0,021*(1-x)
Mo	25.00 \$ metalprices.com / scrap moly pure vacuum consumer north america "High"	per \$0,10 c	0.0035	0,0035*(1-x)
Cb	23.00 \$ metalprices.com / mean average	per \$0,10 c	0.006	0,006*(1-x)
Ti	5.00 \$ ironage/titanium/philadelphia region/foundery/busheling 6_4 clips	per \$0,10 c	0.001	0,001*(1-x)
ENERGY	See billet 718 sheet			

Cb will not be adjusted if the value remains within the 20 \$/lb - 26

Ti will not be adjusted unless its value goes up above 10.00 \$/lb

- 7) Carpenter / A&D to maintain logistics agreement throughout the period.
A&D is responsible / committed for any hedge Carpenter has purchased in the event quantity fluctuates

28-Jul-10

CARPENTER TECHNOLOGIES - Price List for A&D (\$/lb)

VALIDITY : 2011-2015

Melt Type		VIM	VIM	VIM	YEAR
Grain Size					
Scrap Amount		0	30%	60%	
Scrap Price		0.00	\$ 1.50	\$ 1.50	
MM	INCHES				
760	30	\$ 6.04	\$ 5.54	\$ 5.04	2011 - 2013
760	30	\$ 6.14	\$ 5.64	\$ 5.14	2014 - 2015
Specifications	STM S0210A				

- 1) Pricing applies to 706 electrodes
- 2) All prices are DAP Pamiers / Les Ancizes (per Incoterms 2010)
- 3) Ni = 6.00 USD/lb | Cr = 3.00 USD/lb
- 4) Payment terms: 60 days eom
- No scraps $P = P_0 + (0,46 * (Ni - Ni_0) + 0,18 * (Cr - Cr_0) + \text{energy})$
- 30% scraps $P' = P'_0 + (0,46 * (Ni - Ni_0) + 0,18 * (Cr - Cr_0)) * 0,7 + \text{energy}$

Raw material base/lb	Reference	No scrap	x% scrap at 1,5
Ni	LME Cash price + premium per \$0,10 cl	0.046	$0,046 * (1-x)$
Cr	metalprices.com / Aluminothermic Chrome High Average per \$0,10 cl	0.018	$0,018 * (1-x)$
Cb	metalprices.com / mean average per \$0,10 cl	0.004	$0,004 * (1-x)$
ENERGY	See billet 718 sheet		

Cb will not be adjusted if the value remains within the 20 \$/lb - 26 \$/lb band

5) If Titanium reaches 10.00 \$/lb, both parties agree to meet to discuss the integration of Ti in the price of 706

Rebate

Carpenter Share	Volume Rebate in ¢/ net invoiced lb				
	<i>718TM</i>	<i>718DM</i>	<i>706 Ingots</i>	<i>706 Electrodes</i>	<i>718 Ingots</i>
< 30%	Base line price - No rebate				
30% - 49%	\$0,28	\$0,26	\$0,21	\$0,15	\$0,31
50% - 65%	\$0,56	\$0,52	\$0,42	\$0,29	\$0,62
> 65%	\$0,86	\$0,79	\$0,62	\$0,44	\$0,93