

## FRANCE

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The French gross domestic product increased by only 0.5% to €1,557 billion in 2003, the lowest growth since 1993. Growth in household consumption, although slowing to 1.2%, was the main domestic support to growth while external trade had a negative contribution to the economic activity with an exceptional 0.7% fall in exports. Public deficit rose to a level of 4.1% of GDP. The unemployment rate continued to increase; from 8.9% of total workforce in December 2002 to 9.9% at the end of 2002. The average inflation rate for 2003 was 2.1% (1.9% in 2001).

France's oil, gas and mineral domestic production continued in 2003 to decline steadily as in the previous years. The closure of the last metropolitan mining operations is planned for 2004, which will leave the French extractive industry exploiting only construction and chemical minerals. Mineral exploration has virtually ceased for nearly ten years.

In 2003, French domestic production of crude oil and natural gas decreased respectively by 7.7% to 1.38 Mt and 11.6% to 1.3 Mt (oil equivalent). The entire gas production comes from the Aquitaine Basin as well as 46% of the oil and the remainder was pumped from the Paris Basin. Domestic production of coal, oil and natural gas (4 Mt oil equivalent) represented only 1.4% of the total consumption of primary energy in France. However, when taking into account electricity generation of all origins (chiefly nuclear or hydropower), France produced 50.4% of its total consumption of primary energy.

In the past few years the Total group, after having acquired Fina and Elf Aquitaine, has become the world's fourth-largest oil and gas company and remains a world-class chemicals manufacturer. In 2003 it produced oil and natural gas amounting to 2.54 million bbl of oil equivalent (boe) per day (+5.1%) while reserves were up 1.8% to 11.4 billion boe, equivalent to 12.3 years of production at current levels. The group turnover was €104.65 billion in 2003, up 2% from the previous year and the net profit increased by 23.6% to €7.34 billion, thanks to higher oil and gas prices as well as a strong rebound in refining margins which however were partly offset by the impact of the US Dollar depreciation against the Euro. Gross investments amounted to €7.73 billion (-10.7%), of which €5.3 billion were spent in exploration and production. The latter came chiefly from Europe (mainly Norway and the UK) and Africa (mainly Nigeria, Angola and Gabon.)

The 2003 production of coal by state-controlled Charbonnages de France (CdF) was 4% higher at 2.2 Mt. However under a plan agreed with unions ten years ago, the last pit was closed in April 2004.

Through wholly-owned Cogema the state-controlled Areva group is the world leader for the nuclear power cycle over which it is fully integrated: mining

(some 20% of world production and reserves), chemicals and uranium enrichment (25%), fuel fabrication (35%), reactors and related services (20%), spent fuel reprocessing (60%) and recycling (MOX fuel production). In addition, Cogema holds a 25% stake in the nickel/manganese producer Eramet (see below) as well as various gold interests in Africa (Sudan and Côte d'Ivoire) and Australia, with a total production of some 6 t/y. In 2003, total sales for the group remained stable at €8,255 million. While connector's sales were reduced by 14% to €1,338 million, in the nuclear business, the turnover increased by 3.8% to €6,830 million. The overall net result for the group was increased by 62% to €389 million.

The last domestic gold mining operation, Mines d'Or de Salsigne, located at the southern tip of the Massif Central near Carcassonne filed for bankruptcy in July 1999. Since then, an official receiver has run the operation and the authorities have been supporting a four year plan aimed at organising an orderly closure of the operation which is planned for 2004 and the government has agreed to contribute substantially to a de-pollution programme at the mining site. In 2003, gold production at Salsigne remained stable at 1.4 t gold.

When in February 2002, Arbed, Aceralia and Usinor merged to form Arcelor, the world's largest steel producer, with a turnover of €25.9 billion and shipments of 40.2 Mt of steel in 2003, Usinor holders received a 45.5% stake in the new Luxembourg-based company. With a total steel production of 19,716 Mt in 2003 (down 2.7% from the previous year) the French operations represent 49% of the total group production and 36% of its workforce.

Five years after the failed attempt to merge with Alcan and Alusuisse, the Pechiney aluminium group was subject to a takeover bid by Alcan which, after negotiation with Pechiney's board, was eventually approved by the latter in September 2003 on the basis of a mixed cash/share offer of €48.50/share which valued the company at more than US\$4 billion. After regulatory approvals from EU and US authorities which both ordered several industrial divestitures, the merger was completed by year end. As a result, on the basis of 2002 figures, Alcan's primary aluminium production capacity has been increased by 53% at 3.44 Mt. In 2003, Pechiney's domestic production was 685,000 t (-4% from 2002). Full year earnings from Pechiney operations were €262 million, down €145 million (or 36%) from 2002, essentially due to the weakness in the US dollar. The 2003 net result was a loss of €508 million compared with a loss of €50 million a year earlier.

After having begun to convert its loss-making primary lead and zinc plants at Noyelles-Godeault (northern France) to secondary production, Metaleurop SA, whose main shareholder was Swiss-based Glencore (33% stake) sold in January 2003 its best asset, Metaleurop's modern and profitable electrolytic zinc smelter (130,000 t/y capacity) located at Nordenham in northern Germany to Xstrata plc (in which Glencore also holds a 40% stake). At the same time, Metaleurop cut off financing for the restructuring of the Noyelles-Godeault operation. Shortly after, this complex which consists of a lead refinery with 140,000 t/y capacity and a 90,000 t/y zinc smelter was closed,

and a French court placed the plant under receivership for three months to give it a last chance to stave off bankruptcy for Metaleurop Nord SAS which had accumulated debt totalling €130 million owed to its parent company Metaleurop SA. But this attempt failed and the subsidiary of Metaleurop SA was placed in judicial liquidation in March 2003, leaving the government fully in charge of rehabilitating a heavily polluted site where lead and zinc smelting had taken place for over a century as well as supporting 830 laid-off workers.

Eramet, which in recent years expanded significantly its manganese and special steel businesses through acquisition and mergers, announced a €1,990 million turnover against €2,096 million in 2002. SLN, the operating arm of the nickel division, with 31% of group turnover at €610 million and a €160 million profit (+119%) benefited from strong nickel prices. Production from its mining operations and its Doniambo smelter in New Caledonia 61,523 t of nickel (as ferronickel and matte), up 2.8% on 2002, and the deliveries from its Le Havre-Sandouville plant in France (metal and salts) fell 2.7% from 11,138 t to 11,138 t Ni. The manganese division is a world leader, fully integrated from mine (Moanda in Gabon) to processing and trading. Its 2003 turnover was €769 million (39% of total) and it made an operating profit of €9 million (€20 million loss in 2002). Its mine production was 2 Mt, and total deliveries of manganese alloys reached 874,000 t, down 8.8% from 2002. In 2003, in order to restore the profitability of this branch, Eramet closed a manganese plant in northern France. This asset, together with plans for streamlining the special steel division, have been written off against 2003 profits for an amount of €154 million. As a result the net group's result for the year was a €154 million loss (€6 million profit in 2002).

In 2003, French production of salt increased from 4.2 Mt to 5.7 Mt, while sulphur was down from 0.84 Mt to 0.80 Mt. Talc production decreased from 0.42 Mt to 0.39 Mt.

The Imerys group is entirely focused on industrial and construction minerals (specialty minerals, pigments, building materials, refractory and ceramic products) and is active on all five continents, but mainly in Europe and the Americas. In 2003, the net profit increased by 11.7% to €160 million while the group's turnover decreased by 4.7% to €2.73 billion which is chiefly due to the depreciation of both the US\$ and £.

The Luzenac group (a 99% subsidiary of Rio Tinto plc) has become the largest producer of talc worldwide. Total production from group operations in Western Europe, North and Central America and Australia is in excess of 1.4 Mt/y with an annual turnover of around US\$325 million. The Luzenac mine, located in the French Pyrenees, is the world's largest talc operation, which produced 394,000 t of talc in 2003.

Lafarge is holding world top-ranking positions in each of its four divisions: it is number one in cement and roofing, number two in aggregates and concrete, and number three in gypsum. The group is operating on every continent, with Western Europe and North America representing respectively 42% and 28% of sales. In 2003, due chiefly to the negative impact of currency fluctuations,

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the group's turnover decreased by 6.5% to €13.66 billion, and the net profit before extraordinary items decreased by 3.6% to €728 million. The latter figure represents also the 2003 net profit (in 2002 it was reduced by an extraordinary provision of €300 million aimed at covering the risks connected with an anti-trust penalty imposed by the European Commission which Lafarge has appealed against, as well as possible penalties from the German competition authority).

<b>French Metal and Mineral Production ('000 t except where stated)</b>			
	<b>2001</b>	<b>2002</b>	<b>2003</b>
<b>Energy and steel industry</b>			
Crude petroleum	1,700	1,600	1,378
Natural gas (oil equiv)	1,500	1,440	1,280
Coal and lignite	2,700	2,140	2,232
(oil equiv)	1,500	1,200	1,280
Steel	19,344	20,256	19,716
<b>Ores, Metal content (t)</b>			
Gold	1.70	1.47	1.47
Uranium	156	0	0
<b>Metals, primary and secondary</b>			
Lead	159	152	102
Zinc	328	345	0
Aluminium	713	714	685
Nickel	13.0	11.4	11.1
<b>Industrial minerals and materials</b>			
Potash (K <sub>2</sub> O)	257	145	0
Salt	6,096	4,205	5,670
Fluorspar	123	121	190
Barytes	81	85	81
Talc	367	417	394
Sulphur	840	795	710