

FRANCE

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France's 2002 GDP (€1521 billion) increased only by 1.2% in real terms from the previous year (+1.8% in 2001). Imports and exports declined by 1.9% and 0.6%, respectively, while the trade surplus increased from €25 billion in 2001 to €30 billion (2% of GDP). The average inflation rate for 2002 was 1.9% (1.7% in 2001), and the unemployment rate continued to increase, from 8.8% of total workforce in December 2001 to 9.1% at the end of 2002.

France's oil, gas and mineral domestic production continued to decline slowly during 2002. The closure of the last metropolitan mining operations, either planned or expected to take place during the coming years, is being accelerated.

In 2002, French domestic production of crude oil and natural gas decreased respectively by 3.6% to 1.6 Mt and 4.7% to 1.4 Mt (oil equivalent). Domestic production of coal, oil and natural gas (4.2 Mt oil equivalent) represented only 1.5% 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 50.7% of its total consumption of primary energy.

In 2002, the TotalfinaElf group, which is changing its name to Total, produced oil and natural gas amounting to 2.4 Million barrels of oil equivalent (boe) per day (+10%) while reserves were up 2% to 11.2 billion boe, equivalent to 12.7 years of production at current level. Group turnover was €102.54 billion in 2001, down 2.6% from the previous year and the net profit declined by 22% at €5.94 billion.

This is chiefly due to a sharp deterioration (-48%) of the European refining margin and the weakening of the US dollar in the final months of the year. Gross investments amounted to €8.66 billion, down 18% from 2001.

The production by state-controlled coal producer, Charbonnages de France (CdF), continued to decrease, by 23% in 2002, and will cease in 2004, one year before the date agreed with unions in 1994. The last active pits are located in the Lorraine basin (2) and in Provence (1).

In September 2001, the French authorities regrouped the state-controlled interests in nuclear energy, high technologies and mining under the control of Areva, a new holding company. Areva in turn holds 100% of Cogema and 66% of Framatome (nuclear engineering) and 11% in STMicroelectronics.

Through Cogema's subsidiary FCI, it is also the third-largest group worldwide in electrical connectors.

Areva is now the world leader in the nuclear power cycle. It is fully integrated: mining (approximately 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 gold production of some 6 t/y.

At €8.27 million, total sales for the group were reduced by 7.1% in 2002. While connector sales were reduced by 20% at €1,560 million; in the nuclear business, sales revenues remained stable at €6,576 million. In parallel, the connectors branch recorded an operating loss of €137 million (€181 million in 2001), while the nuclear branch posted an operating income of €649 million with a margin of 9.9% (+56% on 2001). The overall net result for the group was €240 million (€587 loss in 2001), and takes into account €289 million of extraordinary income that comes chiefly from real estate disposals.

After the closure of Cogema's Bourneix gold mine in 2001, the only domestic gold mining operation that remains active in France is Mines d'Or de Salsigne, located at the southern tip of the Massif Central near Carcassonne. After it filed for bankruptcy in July 1999, the operation has been run by an official receiver and apparently the authorities have been supporting a four-year plan aimed at organising an orderly closure of the operation. Last recorded production - during the period July 2001-June 2002 - was 1.72 t obtained from the treatment of 531,000 t ore at 4.05 g/t Au.

In November 2001, after having obtained the regulatory approval of the European Commission for an all-stock merger between France's Usinor SA, Luxembourg's Arbed SA and Spain's Aceralia Corporacion Siderurgica SA, Arcelor was eventually incorporated in February 2002, with Usinor holders receiving a 45.5% stake in the new Luxembourg-based company. Arcelor has become the world's biggest steel producer, with a workforce of 110,000 and an annual output of some 45 Mt. Since then, the group has engaged in a policy aimed at streamlining its operations and cutting costs, co-operating with other groups on specific techniques or projects and acquisitions.

Whereas last recorded turnover for Usinor was €14,523 million in 2001, on a *pro forma* basis, the turnover of Arcelor decreased slightly from €27,512 million in 2001 to €26,594 million (-3.3%) in 2002, and the net company reported a net loss of €121 million, compared with a net loss of €107 million in 2001.

In 2002, Pechiney pursued its restructuring (new corporate organisation in three divisions: primary aluminium, aluminium conversion and packaging), modernisation (€580 million investments) and expansion. The most prominent project using its new patented smelting technology (AP 50) which should reduce electrolytic costs by 15%, will be the Coega smelter to be constructed in 2004 near Port Elizabeth, South Africa at a cost of US\$1.5 billion. In 2002,

The group's turnover increased by 7.7% at €11.9 million, while the net income plunged severely, from €233 million to €50 million.

In 2002, Metaleurop SA, whose main shareholder is Swiss-based Glencore (33%) announced plans to convert its loss-making primary lead and zinc plants at Noyelles-Godeault (northern France) to secondary production and the focus of the group's recycling activities. However, it was made public in November 2002, that Xstrata plc (Glencore 40%) would acquire for US\$100 million Metaleurop's modern and profitable electrolytic (130,000 t/y capacity) zinc smelter located at Nordenham in northern Germany. This sale was finalised in January 2003 at the same time as Metaleurop cut off financing for the restructuring of the Noyelles-Godeault operation. A French court then placed the plant under legal administration for three months to give it a last chance to stave off bankruptcy. The deadline to find a buyer was February 18, but none was found. The Noyelles-Godeault complex consists of a lead refinery with 140,000 t/y of capacity and a 90,000 t/y zinc smelter.

Finally, Metaleurop board decided on July 2, 2003, to postpone the closure of its 2002 accounts until it properly assesses possibilities to reach an agreement with its banks regarding short term debts and to insure its access to financing beyond August 2003. Meanwhile, it was indicated that the group's turnover declined from €650 million in 2001 to €541 million in 2002.

Eramet, which in recent years has expanded significantly its manganese and special steel businesses through acquisition and mergers, announced a €2.1 billion turnover against €2.2 billion in 2001, an operating profit of €49 million (€96 million in 2001) and a net profit of €6 million (€3 million loss in 2001).

The nickel division (SLN, with 24% of group turnover and a €73 million operating profit) benefited from strong nickel prices and produced from its mining operations and its Doniambo smelter in New Caledonia 59,867 t of nickel (as ferronickel and matte), up 1.4% on 2001. Deliveries from its Le Havre-Sandouville plant in France (metal and salts) decreased 9% to 11,444 t nickel. SLN pursued its programme aimed at increasing its production capacity in New Caledonia from 60,000 to 75,000 t/y at a cost of around €200 million.

The manganese division (42% of group turnover and €20 million operating loss) was affected by difficult market conditions and various production incidents. It is a world leader, fully integrated from mine (Moanda in Gabon) to processing and trading. Its total deliveries of manganese alloys reached 958,700 t, down 6% from 2001.

In 2002, French potash production declined to 145,000 t, from 257,000 t in 2001. Salt production declined from 6.1 Mt to 4.2 Mt, and sulphur from 840,000 t to 795,000 t. Meanwhile, talc production increased from 370,000 t to 420,000 t.

In September 2002, at the potash mines of state-controlled Entreprise Minière et Chimique group (EMC) near Mulhouse in Alsace, a fire started in a portion

of the underground workings used for the storage of industrial waste. This halted the extraction of potash for six months ahead of the planned closure of the last mine.

In 2002, The Imerys group pursued its expansion in the sectors of pigments, building materials, refractory and ceramic products, chiefly through acquisitions particularly in Asia (China, Malaysia and Thailand) as well as in Europe, Russia and Brazil. Net profit increased from €79 million in 2001 to €143 million, and the group's turnover decreased by 1.2%, to €2.63 billion.

The Luzenac group (a 99% subsidiary of Rio Tinto plc) has become over the years the largest producer of talc worldwide. Total production from group operations in Western Europe, North and Central America and Australia rose from 1.26 Mt in 2001 to 1.33 Mt in 2002 following the acquisition from WMC of the Three Springs mine in Western Australia. It is the world's second-largest talc operation (200,000 t/y) after the Luzenac mine, in the French Pyrenees, which produced 430,000 t.

In 2001, following the acquisition of Blue Circle of the UK, Lafarge has been holding world top-ranking positions in each of its four divisions: number one in cement and roofing; number two in aggregates and concrete; and number three in gypsum. Since then, numerous acquisitions and joint ventures on every continent, particularly Asia, have continued to consolidate the group's world leadership position in construction materials. In 2002, the group's turnover increased by 6.6% to €14.61 billion, and the operating profit before extraordinary items increased by 10% to €2.13 billion. However, the net profit announced was reduced from €750 million to €456 million so as to take an extraordinary provision of €300 million aimed at covering the risks connected with a €249.6 million fine from the European Commission for participation in a Europe-wide plasterboard cartel throughout the 1990s (which Lafarge has appealed against), as well as possible penalties from the German competition authority.

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Metal and Mineral Production ('000 t except where stated)			
	2000	2001	2002
Energy and steel industry			
Crude petroleum	1,800	1,700	1,600
Natural gas (oil equiv.)	1,500	1,500	1,400
Coal and lignite	4,100	2,700	2,140
(oil equiv.)	2,300	1,500	1,200
Steel	21,000	19,344	20,260
Ores, Metal content (t)			
Gold	2.8	1.7	n.a.
Uranium	300	156	0
Metals, primary and secondary			
Lead	217	184	152
Zinc	348	345	345
Aluminium	701	713	714
Nickel	13.4	13.0	11.4
Industrial minerals and materials			
Potash (K ₂ O)	330	257	145
Salt	6,200	6,096	4,205
Fluorspar	114	123	n.a.
Barytes	92	81	n.a.
Talc	380	367	417
Sulphur	800	840	795

n.a. - not available