

## FRANCE

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**D**uring 2000, France pursued the robust economic growth enjoyed during the two previous years. GDP increased by 3.4% and, despite a 13.8% increase in exports, the trade surplus was reduced from €18 billion in 1999 to €2 billion. Consumption prices increased from 0.6% in 1999 to 1.5% due chiefly to the substantial increase of oil prices in 2000. The unemployment rate decreased further from 10.8% in 1999 to 9.2% in 2000 at year-end.

French firms involved in oil, mining, metals and materials continued to participate actively into the general movement toward industrial restructuring and concentration. Major examples were, in the oil sector, the completion of the announced merger between TotalFina and Elf, and in the steel industry the merger of France's Usinor, Luxembourg's Arbed and Spain's Aceralia. In the industrial minerals sector, Lafarge initiated an eventually successful take over bid for the UK's Blue Circle.

France's oil, gas and mineral production continued to decline slowly during 2000. Indeed, the closure of the last metropolitan mining operations are expected to take place during the present decade, and mineral exploration has virtually ceased already.

In 2000, French domestic production of crude oil decreased by 7.3% to 1.9 Mt and that of natural gas by 6% to 1.6 Mt (oil equivalent). Total Fina Elf produced nearly all the natural gas and one-third of the total oil output, Esso produced a similar proportion, and the remainder was shared chiefly between Vermilion and Coparex.

Domestic production of coal, oil and natural gas represented only 4.6% of the total consumption of primary energy in France during 2000. However, when taking into

account electricity generation, either of nuclear or hydropower origin, France produced 50.2% of its total consumption of primary energy.

In 2000, the year following the merging of Totalfina and Elf, the new group (which ranks fourth among world oil majors) produced oil and natural gas amounting to 2.1 Mbbl/d (oil equivalent). The turnover was €116 billion (+55%) and the net profit €7.6 billion (+135%).

The production of state-controlled Charbonnages de France (CdF) decreased sharply in 2000. This was mainly due to production problems in the Provence lignite basin (-44% in 2000), and overall coal production was down 28% at 4.1 Mt. This heavily subsidised industry (on average receiving €1.3 billion annually during the past thirty years) has planned to cease its activities in 2005. It is currently divesting other industrial activities such as its electric power generating subsidiary SNET (Spanish electricity producer Endasa acquired a 30% stake last year and has an option to purchase a controlling interest) and CDF Energie, its coal trading subsidiary which was sold in 2000 to TotalFinaElf.

Domestic uranium production came entirely from Cogema's Jouac mine in western French Massif Central with 300 t of contained uranium, down 29% from 1999. This mine is due to be closed in mid-2001 after exhaustion of its commercial reserves.

In December 2000, the government announced a reorganisation of the state-controlled interests in nuclear energy and mining under a new holding company named Topco. The latter, controlled 78% by the state, would in turn hold 100% of Cogema and 66% of Framatome (nuclear engineering). In 2000, Cogema's total

turnover was €5.95 billion and the after-tax profit was €260 million. Some 11.5% of turnover (€1.45 billion) come from the mining/chemical division. Cogema's annual mining production contains around 7,000 t U (20% of world production). Since 1999, Cogema has held a 25% stake in the nickel/manganese producer Eramet (see below). In May 2000, the company completed the acquisition of former BRGM's gold interest in Africa (Sudan and Côte d'Ivoire), with total production of some 7 t/y.

Domestic gold production is believed to have been maintained in 2000 slightly below 3 t, the level recorded in the previous year. However, Cogema's Bourneix operation in western Massif Central has nearly exhausted its mineable reserves and is expected to close in mid-2001. Mines d'Or de Salsigne, whose operation is located at the southern tip of the Massif Central, and which is owned by Australia's Eltin and Sons of Gwalia, filed for bankruptcy in July 1999. Since then the operation has been run by an official receiver but, in June 2000, the courts approved a plan to revive the operation. By the end of the year, Orfund, a gold smelting and refining company based in Andorra, was negotiating the acquisition of the mine while the Ministry of Industry promised to support an arsenic depolluting programme at the level of 50% of expenditure to a maximum of €15 million.

In 2000, French steel production increased by 3.8% at 21.0 Mt while production of aluminium increased by 1% to 701,000 t. Lead production decreased to 217,000 t (-3%) and zinc production increased to 348,000 t (+3%). Production of nickel increased 17% to 13,389 t.

In 2000, the turnover of the Usinor steelmaking group jumped from €13.62 million in 1999 to €15,733 million (+24.4%) on a constant basis. Net Income amounted to €759 million, compared with a €12 million loss for 1999 (excluding exceptional items). The Usinor group continued to restructure and expand in 2000: various partnerships and

new expansions were launched particularly in Switzerland, Poland, Brazil and the US. New major developments (aimed at making Usinor a world leader in its core markets) were announced in the first weeks of 2001. In January, an alliance with Japan's Nippon Steel (involving no equity participation) was announced designed to develop automotive sheets to supply global automakers. The joint venture will cover a number of products, research and cross-licensing. In February 2001, the concerned groups announced an all-stock merger valued at €3.4 billion involving Usinor SA, Luxembourg-based Arbed SA and Spain's Aceralia Corporacion Siderurgica SA. The combined concern would have an annual output of 45 Mt, creating the world's biggest steel producer. This deal would give current Usinor holders a 56.5% stake in the new holding company to be based in Luxembourg, which would have annual sales of nearly €30 billion.

During 2000, after the failure of its attempted merger with Alcan and Alusuisse because of regulatory concerns, Péchiney pursued its efforts to streamline operations and cut costs. In October 2000, the company acquired from AMP Life Ltd a controlling interest in the Tomago aluminium smelter in New South Wales. In the meantime, the company has begun to implement its new patented technology (named AP 50) which should reduce electrolytic costs by 15%. The group's net profit was €311 million against €260 million in 1999, while its turnover progressed by 12.3% to €10.68 billion.

In 2000, the year after Glencore replaced Preussag as the major shareholder in Metaleurop, the group pursued a reorganisation aimed at refocusing its activities to lead, zinc and speciality metals as well as reducing its debt. In particular, it sold its zinc galvanising business in Germany, reduced its stake in Penarroya Oxides and closed a loss-making arsenic plant near Marseilles. The 2000 turnover was €799 million, up 20% from the previous year and the net profit was €20.6 million instead of

a €1.5 loss during the period October 98-December 1999.

Eramet, which during the previous year had expanded significantly its manganese and special steel businesses through acquisition and mergers, announced a €2.29 billion turnover against €1.93 billion in 1999, and a net profit of €301 million against €107 million in 1999 (on a pro forma basis). The nickel division (SLN, with 24% of group turnover) produced from its mining operations and its Doniambo smelter in New Caledonia 57,463 t of nickel (as ferronickel and matte), up 1.45% on 1999, and the deliveries from its Le Havre-Sandouville plant in France (metal and salts) increased 17% to 13,389 t. SLN also completed in 2000 a feasibility study aimed at increasing its production capacity in New Caledonia from 60,000 to more than 70,000 t/y. The investment would total €150 million. The manganese division (42% of group turnover) is a world leader, fully integrated from mine (Moanda in Gabon) to processing and trading. Its total deliveries of manganese alloys reached about 1,090,000 t in 2000, a level close to the one of 1999 (on a pro forma basis).

In 2000, French potash production decreased slightly from 350,000 t in 1999 to 341,000 t, while the production of salt at 6.2 Mt, sulphur at 0.80 Mt, talc at 0.38 Mt and fluorite remained at similar levels to 1999.

State-controlled Entreprise Minière et Chimique group (EMC) is now considering ending potash extraction from its almost depleted mines near Mulhouse in Alsace as early as 2003.

The Imerys group (formerly Imetal) has been pursuing its expansion in industrial minerals and construction materials through substantial capital

expenditures and a very active acquisition policy (€330 million in 2000) that included Treibacher Schleifmittel, an Austrian company specialised in abrasive minerals (€200 million turnover), and Brazil's calcium carbonate producer Quimbarra (€55 million turnover). In 2000, the group's turnover reached €2,805 million, up by 7% from 1999, and the net profit from recurring operations increased 16.6% to €166.7 million.

The Lafarge cement and construction material group has continued its very aggressive acquisition and development policy all around the world. The major event was a takeover bid, made early in 2000, for the UK's Blue Circle Cement. Although the bid failed, Lafarge emerged with a 20% stake, and this led to a resumption of talks later in the year. Eventually, in January 2001,

<b>French Metal and Mineral Production (‘000t except where stated)</b>			
	<b>1998</b>	<b>1999</b>	<b>2000</b>
<b>Energy and steel industry</b>			
Crude petroleum	2,200	2,100	1,900
Natural gas (oil equiv.)	1,800	1,700	1,600
Coal and lignite	6,100	5,700	4,100
(oil equiv.)	3,500	3,300	2,300
Steel	20,200	20,200	21,000
<b>Ores, Metal content (t)</b>			
Gold	3.8	3.0	n.a.
Silver	1.0	0.8	n.a.
Uranium	470	420	300
<b>Metals, primary and secondary (‘000 t)</b>			
Lead	236	223	217
Zinc	349	337	348
Copper (electrolytic)	22.4	1.8	0
Aluminium	663	694	701
Nickel	n.a.	11.5	13.4
<b>Industrial minerals and materials</b>			
Potash (K <sub>2</sub> O)	450	350	340
Salt	5,900	5,900	6,200
Fluorspar	110	110	n.a.
Barytes	750	760	n.a.
Talc	360	370	380
Sulphur	870	820	800

Na - not available

Lafarge won the approval of Blue Circle directors and shareholders for a €7.4 billion takeover that will create the world's biggest cement group. In the mean time, Lafarge has

sold (for €800 million) most of its speciality materials division. The group's turnover was €12.2 billion, up 16% from 1999 and the net profit increased 18% to €726 million.