



Paris, Noumea, November 19<sup>th</sup>, 2009

### **Press release**

#### **Société Le Nickel (SLN) Board of Directors Meeting on November 19<sup>th</sup>, 2009 in Nouméa**

- **Findings of studies on improving SLN's competitive positioning:**
  - . **Optimum nickel output estimated at 65,000 tons per annum in 5 years, the new goal set at SLN**
  - . **Secure intermediary stage at 60,000 tons annual production in 2012**
  - . **Target of €90 million savings on full-year basis in 2012 vs. 2008 at constant economic conditions**
  - . **Proposed manpower of 2,100 people in 2012 under the competitiveness improvement plan, with the aim of avoiding any redundancies**
  - . **Ongoing process of consulting works council on all these projects**
  
- **The ERAMET Group is maintaining all its major projects in New Caledonia. In particular, it is immediately launching studies on a new electricity plant for Doniambo, solely for its own needs in line with the new optimum production goal. Goal: decision on building plant put to Eramet and SLN's Boards in late 2011/early 2012.**
  
- **New, modernised governance of SLN set up for even stronger involvement of New Caledonia**

Following the meeting of its Board of Directors on November 19<sup>th</sup>, 2009, Société Le Nickel (SLN), which is 56% held by the ERAMET Group and 34% by STCPI, which represents New Caledonia's three provinces, and 10% by Nisshin Steel, today announced the findings of the studies on its optimum industrial operating point and set out the proposed target organisation corresponding to the competitiveness improvement plan. These projects will continue to be put to the works council for opinion in a very open discussion. A meeting with the works council was held following the SLN Board of Directors meeting on November 19<sup>th</sup>, 2009.

These studies were carried out by a wholly independent outside firm in order to determine the measures needed to restore SLN's competitiveness. SLN's production costs had been increasing substantially for many years, at a faster rate than the industry average, which in general rose sharply over the same period. In 2008 SLN's cash cost totalled around 7 USD/lb and its full cost around 8 USD/lb.

This trend results from the combination of several sets of causes:

- Trends in some external factors (EUR/USD exchange rate, fuel oil and coal prices, etc.),
- The natural evolution of deposits, i.e. decrease in the average nickel content of our deposits from 2.80% five years ago to 2.65% in 2008, increase in stripping ratios, chemistry, haul distances,
- Deterioration in the company's internal productivity.

Moreover, new nickel production projects, particularly for ferronickel, are being built, or even starting up in some cases. The ramp-up of these projects, often of a similar size to SLN, which announce very competitive costs, will heighten competition on the ferronickel market for SLN.

The €90 million savings on a full-year basis in 2012 compared with 2008 at constant economic conditions, mainly in fixed costs, was confirmed by the studies as essential to SLN's repositioning at the average cash cost for global ferronickel producers. This competitiveness improvement plan must lead to savings of around 1 USD/pound of nickel, for the target optimal output.

This figure is understood as at unchanged electricity prices. Any rise in the cost of electricity supplied to SLN by Yaté dam should be offset by additional savings and productivity efforts by the company.

### **Optimal operating point identified as 65,000 tons annual output**

Furthermore, studies were carried out to determine the production level and industrial organisation that would enable SLN to optimise its unit production costs while ensuring the regular achievement of goals. The optimal operating point was identified as output of 65,000 tons, but with a secure prior transition to 60,000 tons by 2012 including the full implementation of the competitiveness improvement plan. In the 2<sup>nd</sup> phase, after stabilising at 60,000 tons to confirm that operating framework, the 65,000-ton target would be set for five years from now.

The optimum organisation project corresponding to that 65,000-ton output would be to keep operating with four mining centres and three electric furnaces, but with a workforce reduced to 2,100 people, compared with 2,385 people at the end of 2009 and 2,482 people at the end of 2008. The goal would be to achieve that manpower reduction without any redundancies, particularly through non-replacement of departures, business start-up incentives, natural attrition, etc.

SLN will take great care to maintain and enhance its people's skills in managing this plan, particularly through training and knowledge management programmes.

The SLN works council will be consulted on these projects and their consequences in terms of jobs and organisation during the coming months. An initial presentation took place on November 19<sup>th</sup>, 2009.

### **Studies launched on new Doniambo power plant**

The definition of an optimal operating point at 65,000 tons now makes it possible to launch studies corresponding to that new scale for the future Doniambo electricity plant. The current

plant has been in operation for 35 years. Moreover, the study on the new plant will specifically take into account possible improvements in environmental performances.

The new, simplified pre-project studies will be launched this year, on the basis of SLN's own needs alone. They will take into account any changes stemming from the new electricity plan for the Territory being drawn up by the New Caledonian government, and the conditions for the long-term supply of the Doniambo plant from the Yaté hydroelectric facility.

The goal is to enable ERAMET's and SLN's Boards of Directors to have all the facts needed to make a decision on the construction of the new power plant towards the end of 2011, or early 2012. Compliance with this timeframe will require close cooperation with the New Caledonian authorities.

### **ERAMET is committed for the very long term in New Caledonia and maintaining all its major projects**

In recent years, the Group has completed the renewal of a large part of the Doniambo metallurgical plant (particularly four out of five rotary furnaces and two out of three electric furnaces) and more than half the mobile mining machines, as well as construction of the new Tiébaghi beneficiation plant. €800 million has been invested in SLN since 2000. The ramp-up of the new facilities will help to improve SLN's performance on a lasting basis. Moreover, geology expenditure has risen substantially, enabling SLN to increase its resources and reserves of ore for pyrometallurgy.

In line with its strategy and thanks to the success of the measures taken in response to the crisis to maintain its sound financial position, ERAMET has not called off any of its major projects for SLN in New Caledonia, i.e. the final part of the Doniambo plant upgrade, the new electricity plant, the rollout of hydrometallurgy on the Prony site and Creek Pernod.

Given the size of the capital expenditure corresponding to these projects and the expected market environment for the next few years, these programmes will be strictly examined to ensure they are completed in the best conditions as regards economic profitability and technical reliability, in the interests of both SLN and New Caledonia.

### **Modernised governance for even stronger involvement in New Caledonia**

SLN today announced the implementation of the modernised governance proposed by Chairman & CEO Patrick BUFFET.

A strategic committee, audit committee and compensation committee have been created. STCPI is widely represented on those committees and even chairs the audit committee.

Since the origin of the shareholders' agreement in 2000, STCPI has had representatives on the Board of Directors of not only SLN but also the ERAMET Group. It has long been fully informed and has taken part in the major decisions of the SLN and ERAMET Group boards. This situation, the only one of its kind in New Caledonia, contributes to the quality of the partnership and to the transparency of dialogue with the ERAMET Group. Thanks to the new

committees, STCPI will be even more closely involved in SLN's decision-making and governance processes.

Patrick BUFFET, Chairman & CEO of ERAMET and SLN, stated, *“These measures will be implemented in close consultation with employee representatives and after in-depth examination by SLN's specialised committees, which have now been set up and which associate STCPI as well as Nisshin Steel, our major Japanese partner. The speed of that implementation is critical to the company's future. I am confident in the ability of the men and women at both SLN and ERAMET to mobilise in response to the crisis, as responsibly as they have in the past. Those efforts, after restoring our competitiveness on a lasting basis, will enable us to achieve our major development ambitions in New Caledonia. The ERAMET Group is ready to mobilise its human, technological and financial resources to continue building SLN's sustainable, long-term development under a special partnership with New Caledonia.”*

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