



Department of Justice

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JUSTICE DEPARTMENT REACHES SETTLEMENT IN INCO LIMITED/ FALCONBRIDGE LIMITED DEAL

Divestiture of Nickel Refinery Will Protect Competition in the High-Purity Nickel Market

WASHINGTON — The Department of Justice today announced that it has reached a settlement that will require Inco Limited to sell off a nickel refinery in Norway and related assets in order to proceed with its \$15 billion acquisition of Falconbridge Limited. The Department said the acquisition, as originally proposed, would have substantially lessened competition in the high-purity nickel market.

The Department's Antitrust Division filed a lawsuit today in U.S. District Court in Washington, D.C. to block the proposed transaction. At the same time, the Department filed a proposed consent decree that, if approved by the court, would resolve the lawsuit and the Department's competitive concerns.

The Department said that the original deal would have reduced the number of significant suppliers of high-purity nickel from three to two and substantially increased the likelihood that Inco would unilaterally increase the price of high-purity nickel to a significant number of customers. High-purity nickel is refined nickel of sufficient purity and chemical composition that it can be used in super alloys to make safety-critical parts such as the rotating parts of jet engines.

The Department said that the proposed consent decree will preserve competition by requiring the divestiture of Falconbridge's Nikkelverk refinery in Kristiansand, Norway and the Falconbridge entities that market refined nickel. The proposed consent decree specifically requires that the refinery be divested to LionOre Mining International Limited, with which Inco has already negotiated agreements providing for the refinery's sale. The Department said that the divestiture to LionOre, a company that is already involved in the mining and processing of nickel, enables that company to become a fully-integrated nickel producer, and assures that Nikkelverk will continue to be an important competitor in the high-purity nickel market

The proposed consent decree also provides for the refinery and marketing assets to be placed in the hands of a trustee if for any reason the divestiture to LionOre does not occur.

"Without the refinery divestiture, purchasers of high-purity nickel for safety-critical parts likely would have paid higher prices," said Thomas O. Barnett, Assistant Attorney General in charge of the Department's Antitrust Division. "Preserving competition in high-purity nickel refining will ensure that consumers benefit from the safest, most reliable, and best priced products in this industry."

Inco and Falconbridge are by far the two largest manufacturers of high-purity nickel, with each accounting for approximately 40 percent of the worldwide sales of high-purity nickel. The acquisition, as proposed, would have removed Falconbridge as a competitor in the high-purity nickel market and resulted in the market for high-purity nickel being dominated by one firm, removing a current constraint on high-purity nickel pricing.

Inco Limited, headquartered in Toronto, is one of the largest mining companies in the world, primarily producing nickel. The company reported revenues of approximately \$4.7 billion in 2005. Inco Limited's high-purity nickel sales in the United States are made through

International Nickel Inc., a subsidiary of Inco Limited, headquartered in Saddlebrook, N.J.

Falconbridge Limited, also headquartered in Toronto, is a worldwide mining company that mines, processes and refines various metals, including nickel and copper. The company reported revenues of approximately \$7.7 billion in 2005. Falconbridge's primary nickel mining and processing facilities are located in Ontario, Canada. Its high-purity nickel sales in the United States are made through Falconbridge U.S. Inc., a subsidiary located in Pittsburgh.

London-based LionOre Mining International Limited is an international nickel concentrate producer. The company reported revenues of approximately \$417 million in 2005.

As required by the Tunney Act, the proposed consent decree, along with the Department's competitive impact statement, will be published in the Federal Register. Any person may submit written comments concerning the proposed decree during a 60-day comment period to Maribeth Petrizzi, Chief, Litigation II Section, Antitrust Division, U.S. Department of Justice, 1401 H Street, N.W., Suite 3000, Washington, D.C. 20530. At the conclusion of the 60-day comment period, the Court may enter the final judgment upon a finding that it serves the public interest.

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