

# Press Release

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## Union Minière Group results at 30 June 1996, and future prospects

### ***Performance impacted by the economic environment***

#### 1996-1998 Industrial Plan on course

The UM Group saw a deterioration in its operating environment in the first half of 1996 compared with the first six months of 1995. This period was marked by falling levels of activity in the transformation sector and the diamond industry subsidiaries following a downturn in the construction industry. The improved results generated by recycling and refining operations and the significant reduction in the financial charge made a positive contribution to the current profit. The Swedish mine, Ammeberg, was sold on August 1995 and consequently did not contribute to the current result recorded in the first half of 1996.

Since the beginning of the year the Group's teams have concentrated their efforts on implementing the 1996-1998 Industrial Plan, which is progressing according to schedule but which, as planned, has no impact on the operating profit yet.

Turnover was BEF 64,752 million, as against BEF 71,517 million at 30 June 1995. This decrease is due to a combination of falling metal prices, particularly for copper, and the fact that some transactions recorded by Metalrame in 1995 (which did not influence its operating results) were not repeated in 1996.

In the first six months of 1996, the Group recorded an operating profit of BEF 829 million, as against BEF 1,493 million at 30 June 1995. The 1995 figure included a profit of BEF 209 million generated by the Swedish mine, which was sold by Union Minière in the second half of 1995.

The low levels of economic activity observed in Europe during the last six months of 1995 included into 1996. Apart from a few exceptions, metal prices tended to decline or stabilize. The US dollar increased slightly, rising from an average of 29.6 BEF/USD in the first half of 1995 to an average of 30.7 BEF/USD in the first half of 1996. The overall negative impact of metal prices on the operating result at 30 June 1996, as compared with that at 30 June 1995, was more than offset by the positive impact of exchange rates.

Overall, commercial terms and cost prices were similar to those in the first half of 1995.

The results of the recycling and refining sectors improved satisfactorily, in spite of the fact that the Industrial Plan, which focuses on these sectors, is still only in its initial stage.

Sales of transformed products were affected by the weakness of the economy, particularly in the construction sector. In this context the contribution made by Diamond Boart, a subsidiary of Sibeka, to the operating profit of the UM Group dropped by about BEF 160 million (it stood at BEF 169 million, against BEF 329 million at 30 June 1995). This drop was due to increased competition on depressed markets which weighed heavily on commercial terms and margins.

The net financial charge was BEF 117 million in the first half of 1996 against BEF 488 million at 30 June 1995. The improvement is due to lower interest rates and to the reduction in the average net debt. In addition, assets and liabilities expressed in foreign currencies were more or less balanced, whereas the negative difference between these items had impacted the financial result at 30 June 1995.

The profit of companies consolidated by the equity method was BEF 69 million, against BEF 108 million in the first half of 1995. This profit is essentially generated by Sibeka's synthetic diamond activities, which suffered from both falling prices and low levels of economic activity.

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The current profit at 30 June 1996, was BEF 782 million, i.e. 30% lower than the BEF 1,114 million recorded in the first half of 1995.

The includeraordinary loss was BEF 309 million against a loss of BEF 469 million at 30 June 1995. The loss at 30 June 1996 was mainly due to the indexing of provisions set up under the social plan announced in 1995 and to allow for the Barber Decree on equal rights for men and women with respect to non-statutory pensions. It also reflects the negative impact of the sale on 1 April 1996 of Gereedschapmakerij Overpelt (GMO), a company specializing in the manufacture of industrial moulds.

The financial structure of Union Minière remains sound. The net short-term and long-term debt was BEF 13.7 billion at 30 June 1996, against BEF 14.6 billion on 30 June 1995. However, the net debt was BEF 4.4 billion higher than on 31 December 1995, due in part to the major capital expenditure made since that date under the Industrial Plan. At 30 June 1996, equity was 2.9 times net consolidated debt.

The Group's share in the net consolidated result of the first half year was a profit of BEF 218 million, against BEF 311 million in the first half of 1995.

The parent company's profit at 30 June 1996 is BEF 166 million. At 30 June 1995 it was BEF 1,740 million, following dividend payouts from subsidiaries of the company.

### **INDUSTRIAL PLAN 1996-1998**

Since 1 January 1996 Union Minière has been gradually implementing the social plan and the breakthrough programs for its business units and industrial subsidiaries.

The construction at Olen of a new 200,000 tpy copper refinery based on the FSD process is proceeding according to plan, with production expected to start at the end of 1996. At its meeting of 17 September 1996 UM's Board decided to increase the nominal capacity of the new refinery to 350,000 tpy. The further expansion should be completed in early 1998.

The construction of the new R&D center at Olen is also on schedule. The center will start operating this fall.

At Hoboken, the new platinum refinery was commissioned in February 1996. Construction work has been started on a new precious metals refinery and on a new smelter to process secondary raw materials. Both units are scheduled to be commissioned at the end of 1997.

The company is gradually installing a new fully integrated information management system since 1 January 1996. The system will be available throughout the Group by the end of the year.

Union Minière's Industrial Plan will enable the Group to regain an adequate level of profitability, maintain its leadership within the non-ferrous metals industry and achieve industrial growth at international level.

### **1996 FORECAST**

Since 30 June 1996 the economic environment has remained fairly stable. The current result of the second half year should improve compared with that of the first half year, unless metal prices drop significantly.