

Press Release

Net profit recorded for the first time since 1990

In 1996, the Group's share in the net consolidated profit was BEF 391 million, which compares to a loss of BEF 954 million in 1995. This is the first time since 1990 that a profit is recorded.

The most important goal of the Union Minière Group's Industrial Plan covering the period 1996 - 1998 is to gain a recognized leadership in the non-ferrous metals industry. The 1996 objectives were met and the plan is on course.

The Group's current profit in 1996 was BEF 1,606 million, against a profit of BEF 1,816 million in 1995. It reflects, on the one hand, the rise of the US dollar, more favourable commercial terms and an improvement in the net financial result, and, on the other hand, a some negative factors, including the overall decrease in metal prices, the significant decreases in volumes experienced in the transformation sector and the reduced results of the diamond subsidiaries. Furthermore, the Swedish mine, Ammeberg, having been sold in 1995, this mine no longer contributed to the current result in 1996. Using a constant scope of consolidation, the operating results restricted to the non-ferrous activities remained stable.

The includeraordinary loss decreased from BEF 2,206 million in 1995 to BEF 924 million in 1996. The latter amount includes a provision of BEF 342 million for the restructuring of Diamant Boart, a subsidiary of Sibeka.

1996 achievements

The Group's share in the net consolidated result is a profit of BEF 391 million, against a loss of BEF 954 million in 1995. The operating profit recorded in 1996 was BEF 1,722 million compared with a 1995 profit of BEF 2,192 million. The latter figure included a BEF 182 million contribution by the Swedish mining activity, which Union Minière sold in the second half of 1995.

The weakness of the economy observed in Europe in the latter part of 1995 continued throughout 1996. The US dollar increased 5% in value, the average BEF to USD exchange rate moving from 29.5 in 1995 to 31.00 in 1996. The metal prices decreased, or at best stabilized in 1996. However, the combined impact of metals and currencies was positive compared to 1995. The commercial terms were generally better in 1996 than in 1995, but volumes decreased, particularly as a result of the slowdown in the building industry.

The recycling activities at Hoboken remained heavily in the red; on the contrary, after several years of deficit, the refining activities generated a profit, essentially due to the significant progress recorded by UM Zinc, which already reflect the measures taken as part of the Industrial Plan.

Sales of high added-value transformed products in zinc were hit by the weakness of the construction sector. In this continclude, the contribution of Diamant Boart, a subsidiary of Sibeka, to the operating profit of the Union Minière Group decreased sharply from BEF 380 million in 1995 to BEF 87 million in 1996, i.e. a drop of BEF 293 million. This contraction was due to stronger market competition, which weighed heavily on commercial terms and margins.

The net financial charge was BEF 285 million in 1996 against BEF 786 million in 1995. The BEF 500 million improvement was due to lower interest rates, a lower debt and an increase in the profit generated by financial results. No exchange loss or gain was recorded.

The Group's share in the result of companies included by the equity method decreased sharply, dropping from a profit of BEF 410 million in 1995 to a profit of BEF 169 million in 1996. The latter amount essentially reflects the sharp decrease in the result generated by Sibeka's synthetic diamond activity, due to an unfavourable mix and lower prices.

Taking into account the result of the companies included by the equity method, the current profit was BEF 1,606 million in 1996 against BEF 1,816 million in 1995.

n.v. Union Minière s.a

Broekstraat 31 Rue du Marais • B-1000 Brussels, Belgium
Phone +32 2 227 70 63 • Fax +32 2 227 79 03 • Telex 34004 umb
VAT BE 401 574 852 • Bank 210-0053806-23 • TRB 85382
Internet www.um.be • e-mail info@um.be

The extraordinary loss was BEF 924 million in 1996 against BEF 2,207 million in 1995. The 1996 loss includes the indexation of the provisions related to the Industrial Plan announced in 1995, to the restructuring of Diamant Boart, and to the consequences of the Barber Decree (European decree on non-discrimination between men and women).

Stable financial structure

In spite of capital expenditures and the payments made due to departures under the staff reduction plan, the net average indebtedness of the Group remained at the level of 25% of the Group's consolidated equity.

Capital expenditures on intangible and tangible assets totalled BEF 5,652 million in 1996. This amount corresponds to the second phase in the major investment programme announced in October 1995.

For 1996, the operating cash flow is BEF 3,825 million, against BEF 4,503 million in 1995.

Parent Company accounts

S.A. Union Minière recorded a net profit of BEF 1,157 million in 1996, against a profit of BEF 7,295 million in 1995. In the latter amount, the part of the dividends totalled BEF 7,706 million originating from profits previously carried forward by the subsidiaries. After transferring BEF 500 million from untaxed reserves to profit available for appropriation, the transfer of the total amount of BEF 1,657 million to reserves will be proposed to the General Meeting of Shareholders .

On Thursday 13 March 1997, the Company floated a bond issue with subscription rights reserved for Union Minière's managerial staff. If all the rights are exercised, 40,000 new ordinary shares will be created, i.e. 0.16% of the issued shares. An application for listing of the new shares on the first market will be made on the Brussels Stock Exchange.

INDUSTRIAL PLAN 1996 - 1998

In the course of 1996, Union Minière went through the first phases of the implementation of the staff reduction plan, and 375 people left the Company, out of a total of 1,800.

At Olen, the new 200,000 tpy copper refinery, which is based on the FSD process, was commissioned on schedule, and production started at the end of 1996. That same year, the Group's Board of Directors made the decision to shut down the old tankhouse and to raise the nominal capacity of the new refinery to 350,000 tonnes per year. This implies adding a new capacity of 150,000 tpy, which will come on stream in early 1998.

Also at Olen, the new R&D Centre, which was completed according to plan, started operating in the fall of 1996.

At Hoboken, the new platinum and palladium refinery was commissioned in 1996. Work on new refining facilities for rhodium, gold and silver, and a new smelter in which to process secondary materials was also started in 1996, and will be operational by the end of 1997.

Union Minière's Industrial Plan will allow the Group to restore an adequate level of profitability and to retain its leadership within the non-ferrous metals industry.

OUTLOOK FOR 1997

1997 will be a key transition year for the Group. All the Business Units are fully committed to the successful implementation of their respective breakthrough programmes. In particular, the new smelter in Hoboken will be commissioned during the last quarter of 1997, and will have to match the high expectations placed in the new technologies.

As far as the industrial environment is concerned, there is still no assurance that the economic recovery, observed in the second half of 1996, will last through 1997. Overall, metal prices are expected to remain fairly low except for zinc. Some, like copper and cobalt may even decline during the year. Treatment and refining charges for zinc and copper will stay under pressure. However, the early results of UM's 1996 - 1998 Industrial Plan combined with an expected stronger dollar and higher zinc price should more than compensate for the impact of the above-mentioned factors.

Overall, 1997 is expected to be a better year than 1996, thereby confirming the high expectations of the Group performances after the Industrial Plan has been fully implemented. One of the major challenges of the Managers of the Group is to achieve, as rapidly as possible, a level of return which would allow to resume paying dividends.

Click here to see the table: <http://www.um.be/assets/html/cpd042et.htm>