

Press Release

10/09/97

UM: Sharp increase in net profit

At June 30, 1997, the Union Minière Group recorded a net profit of BEF 1,227 million, against a profit of BEF 285 million in the first half of 1996. This increase is the result of the implementation of the first steps of the 1996 - 1998 Industrial Plan, which remains on schedule, as well as of the increase in the price of zinc and the US dollar. The result of copper refining was affected by the cost of starting up the new Olen refinery and the accelerated depreciation of the former facility. The transformation activities, in particular the UM Cobalt and Energy Products and UM Electro-Optic Materials business units, experienced a sharp growth. Sibeka contributed positively to the Group's profit.

The implementation of the Industrial Plan remains on schedule. This plan, the purpose of which is to make Union Minière a recognized leader in the non-ferrous metals industry, implies capital expenditures in the amount of BEF 22 billion over four years. The new copper refinery in Olen, Belgium, with a capacity of 200,000 tonnes per year, reached its cruising speed in June 1997 and work on its includeension to 350,000 tonnes has started. The breakthrough programmes of the various units have progressed accordingly to plans. On June 30, 1997, 768 employees had left the company within the framework of the Industrial Plan, which will be completed in 1998. Similarly, the restructuring of Diamant Boart is in progress.

In parallel with the implementation of its Industrial Plan, Union Minière has continued its international expansion. On September 10, 1997, UM and the Bulgarian Privatization Agency signed in Sofia the privatization agreement for the MDK copper plant in Pirdop, Bulgaria. The acquisition by Union Minière of a 56% stake in MDK will be finalized by September 20. The price was fixed at USD 80 million. Over the five coming years, MDK plans to invest USD 220 million in order to increase the smelting capacity to 185,000 tonnes and to erect a new 120,000 tonne refinery. The effect of this move is that Union Minière will strengthen its position in the copper business, gain a foothold in Eastern Europe, and secure feed for its Olen refinery.

UM also increased its stake in Sibeka to 79%, pursuant to the successful public exchange bid; this move will lead to a simplification of the management structures.

The average BEF/USD exchange rate was 4 Belgian Francs higher than in the first half of 1996, while the average zinc quotation per tonne was USD 200 higher. On the other hand, the price of most precious metals was lower. It should be recalled, however, that the time lag between a change in the includeernal factors and its impact on UM results is three months on average. Turnover was BEF 78,102 million, as against BEF 71,574 million at June 30, 1996.

In the first six months of 1997, the Group recorded an operating profit of BEF 2,060 million, against BEF 829 million in the first half of 1996. This increase reflects mainly the profit of the UM Zinc business unit. The latter has implemented, within the framework of the Industrial Plan, a series of measures aimed at lowering operating costs and increasing the revenues derived from added-value products. The full benefit of these measures is expected to be reached by the end of 1998. The impact of the includeernal factors has been favourable, in particular the dollar and the zinc price. With respect to UM Copper, the positive impact of the US dollar and the growth experienced by the down-stream products was offset by the less favourable commercial terms, the accelerated depreciation of the old copper refinery and the start-up costs of the new facilities.

The transformation activities also contributed significantly to the profit. UM Cobalt & Energy Products has experienced a strong growth for the fifth year in succession. A capital expenditure of BEF 2.2 billion, and an internationalization of its operations will make 1997 a record year for the business unit. A similar trend was observed for UM Electro-Optic Materials, which enjoyed a growing activity thanks to increased sales of substrates for solar cells. UM Building Products and UM Industrial Products suffered from the increase in the price of zinc, the effect of which was partially offset by the increase in volumes.

In the field of recycling, a higher dollar compensated the drop in the price of the precious metals.

Sibeka contributed to the Group's profit due to the positive impact of the dollar and the high level of activity of Diamant Boart in North America.

The net financial charge booked at June 30, 1997 was BEF 29 million, against a charge of BEF 116 million in the first half of 1996. This improvement reflects higher dividends received by Sibeka.

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 companies consolidated by the equity method generated a profit of BEF 172 million, against BEF 69 million in the first half of 1996. This profit is essentially due to the synthetic diamond activities of Sibeka.

An extraordinary loss of BEF 789 million was recorded at June 30, 1997; this compares with the BEF 309 million loss booked at June 30, 1996. The 1997 amount mainly reflects the indexation of the provisions set up in relation with the staff reduction plan and the restructuring of Diamant Boart.

The financial structure of Union Minière remains sound. The net short- and long-term financial debt was BEF 16.3 billion at June 30, 1997, against BEF 13.7 billion at June 30, 1996. The increase reflects the impact of the seasonal peak of the working capital requirements, together with the dollar rate and the metal prices. At the close of the first half-year, the equity was 2.5 times the net consolidated debt.

The parent company's profit at June 30, 1997 was BEF 1,379 million against BEF 166 million at June 30, 1996.

Outlook : The repositioning of Union Minière is well on its way. The major effects of the Industrial Plan will become more and more apparent, with the commissioning of the new recycling facilities at Hoboken, the new copper refinery at Olen, and the various cost-cutting programmes implemented. The zinc price and the US dollar also remain favourably oriented. With the market conditions that currently prevail, 1997 should be a good year for Union Minière.

At its meeting of September 16, 1997, the Board decided to co-opt Erik Dejonghe as a Director. Mr Dejonghe spent most of his career in the electronics industry. Presently Mr Dejonghe is Senior Vice-President and Chief Operating Officer of Barco. He is also a Board member of Barco, the Vlerick School for Management and the University of Ghent.

The Statutory Auditors Price Waterhouse, represented by Paul Pauwels and Robert Pierce, and Deloitte and Touche, represented by Claude Pourbaix and Pierre Steenackers, have carried out a limited review. This review did not reveal any element which would have significantly impaired the fairness of the half-yearly results.

[Click here to see the table](#)