

Press Release

17/06/99

Union Minière returns to profit in 1999

General Outlook

UM expects to return to profit in 1999, notwithstanding the non-ferrous world market which continues to have a negative impact.

UM is confident that losses in the Precious Metals Business Unit will be significantly reduced in 1999, as the major technical problems with the new smelter in Hoboken have now been solved.

The Advanced Materials Business Group is aggressively defending its market shares in a competitive environment.

The Zinc Business Group consolidates its leading competitive position.

Despite initial signs of economic recovery on the Asian markets, Union Minière, and the non-ferrous metals sector in general, are still suffering from difficult market conditions in many areas.

Prices for nearly all non-ferrous metals remain low and volatile, and overcapacity continues to impact margins. The dollar exchange rate covered at BEF 36.5/USD tempers this negative impact.

Copper and Precious Metals

The major technical problems with the new smelter in Hoboken have been solved.

The refractory lining of the smelter remains an issue but it now seems that only one shut down for rebricking will be necessary in 1999.

The metallurgical problems have been mastered and optimisation of the flowsheet continues as knowledge of the process improves. In line with expectations throughput improved dramatically from an average of 449 tonnes/day in 1998 before the shutdown in September, to an average of 637 tonnes/day since the start-up in December.

As a result, lead times are improving, and stocks of raw materials and intermediate products are decreasing rapidly, with a favourable impact on lease fees.

UM Precious Metals, as a recycler and refiner of secondary products, is still suffering from the difficulties encountered with contracting these secondary products. This has an unfavourable impact on the quantities available.

UM confirms that it is confident that the loss in this unit will be significantly reduced in 1999. In the Copper business unit the quantities for copper wire rod and shapes remain at a good level, but margins decreased due to increased competition in Europe.

Treatment and refining charges have dropped by 30% compared to the same period in 1998. As a result the revenues of both the Olen refinery in Belgium and the Pirdop smelter in Bulgaria will be lower than in 1998. As expected the consolidation of Union Minière Pirdop Copper in 1999 will have a negative impact on the results of UM Copper.

The feasibility study for the expansion of the Pirdop smelter from 120,000 to 180,000 tonnes/year will be completed before the end of the year. In the meantime, a two month shutdown in September/October will allow a full overhaul of the smelter, including the relining of the furnace and the replacement of the waste heat boiler.

Advanced Materials

The Advanced Materials Business Group is still suffering from unfavourable economic conditions.

The drop in solar cells revenues, due to postponement of satellite programmes has been partially compensated by substantially higher germanium dioxide sales.

UM Cobalt and Energy Products was faced with volatile cobalt prices. Production volumes increased as planned but aggressive competition put pressure on pricing which resulted in a fall in revenues.

Despite these lower margins, the business unit was able to retain its leading market shares.

The Nanodyne plant in the US and the new mercury-free zinc powder production plant in Shanghai have started up. They will contribute to the UM figures in the second half year, as revenues start to be generated.

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Zinc

The Zinc Business Group continues to consolidate its leading competitive position. Zinc activities are stable in terms of volume and UM is confident that the Group will achieve the targets set in the Industrial Plan, i.e. to improve margins by 25% by cutting costs and increasing focus on added value products.

UM is focussing on stepping up international market penetration and shifting towards products with higher added value by developing new alloys, chemicals as well as products used in the building industry.

Diamonds

After major restructuring measures carried out in recent years, the diamond tools business is making a good recovery and is continuing to improve its contribution to the UM Group's results.