

# Press Release

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## Union Minière returns to profit

After the very disappointing second half of 1998, the first half of 1999 shows a decisive return to profit, with net consolidated profit (Group share) up by 18 % compared to the same period in 1998. The operating cash flow and the significant reduction of working capital has favourably influenced the cash situation.

This positive result is mainly due to the strong performance of the Zinc business group and the elimination of the loss of the Copper and Precious Metals business group. Nevertheless, UM continues to suffer from difficult market conditions in several areas, particularly in Copper and in the Advanced Materials business group.

### ***Copper and Precious Metals***

In the first half of 1999, the performance of the precious metals operations improved significantly. The major technical problems have been solved at the ISA smelter in Hoboken. As a result, stocks of raw materials and intermediate products decreased. This had a positive impact on the capital employed and lease fees.

As planned, the smelter was shut down for re-bricking at the end of August. With the technical problems largely resolved, UM Precious Metals will from now on focus its efforts on building up its supply base.

In the Copper business unit, Union Minière Pirdop Copper was consolidated for the first time as from January 1999. This negatively impacted results.

Treatment and refining charges dropped by 30%, affecting both the Olen refinery and more particularly the Pirdop smelter. These bad conditions, coupled with lower sales prices for sulphuric acid cancelled out the positive impact of the new Olen refinery's excellent technical performance. Results posted by the copper operations benefited from productivity gains and healthy activity levels for rod and shapes.

To bring Union Minière Pirdop Copper into line with UM's consolidation accounting standards, an exceptional non-cash charge of BEF 342 million related to the years 1997 and 1998 was booked in 1999.

A two-month shutdown for maintenance and modernisation work on the Pirdop smelter is planned in the second half of 1999. On completion of this work the performance of the smelter will improve from 2000 onwards.

Operating and market conditions for the second half of the year are not expected to vary significantly, but results will be impacted by the planned shutdowns of the Hoboken and Pirdop smelters.

### ***Zinc***

The Zinc business group made an increased contribution compared to the same period of the previous year, despite lower zinc prices, meeting the operational targets of the industrial plan. With a 19 % ROCE, Union Minière is one of the world's best performers.

The business group continued to shift towards high value added products; new alloys and building products will be launched this year.

The Zinc business group will further focus on stepping up international market penetration.

If the recent zinc price increase is confirmed, it will have an additional positive impact on the zinc results.

### ***Advanced Materials***

In the Electro Optic Materials business unit, solar cell production was further reduced due to continued postponement of important telecom satellite programmes.

The company's stronger market position and increased sales of germanium and germanium compounds for applications in the infrared optics, optical fibres and catalysts sectors, could not fully compensate the drop in revenue from solar cells. Innovative high value applications for germanium in Light Emitting Diodes (LED) and sensors are being developed.

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In the Cobalt & Energy Products business unit, higher sales volumes of cobalt did not make up for the negative effects of intense price competition and the difficulties associated with a highly volatile cobalt market. UM has been successful in defending its leading market shares for its key products.

The new mercury-free zinc powder production plant in China and the Nanodyne plant for nanostructured materials used in the hard metals industry in the US, were started up.

Product development efforts continued to focus on a number of promising application areas, the main one being the rechargeable battery market.

The difficult market conditions will continue to impact the results of the Advanced Materials business group in the second half of 1999.

#### Divestments

##### Diamant Boart (DB)

Diamant Boart was sold to Candover in June 1999. The transaction was valued at BEF 5.5 billion (EUR 136.3 million), close to the value of the company in UM's books. DB was deconsolidated as from 1 January 1999. Overpelt-Plascobel (OVP) Overpelt-Plascobel was sold to TrustCapital, generating a capital gain of BEF 338 million. It will be deconsolidated as from 1 July 1999.

#### Natural diamonds

An agreement in principle has been reached with De Beers on the sale by Sibeka of its interests in various diamond trading companies affiliated to the De Beers Central Selling Organisation (CSO).

When finalised, a substantial capital gain will be booked in the second half year, although it will be reduced by taxes and treatment of goodwill.

#### Stock Option Plan

Following the approval of the new legislation, an All Employee Stock Option Plan was launched in June for UM staff in Belgium. 84% of the staff subscribed 206,000 options. The Board of Directors decided to extend the plan to other countries.

#### Outlook for 1999

It is expected that UM will continue to operate profitably in the second half of 1999, despite the impact of continuing difficult market conditions in a number of areas and the planned shutdowns of the Hoboken and Pirdop smelters. Overall indebtedness will be further reduced in the second half of the year.