

Press Release

10/03/99

Confidence in the future despite disappointing results

The 1996-1998 Industrial Plan, which was designed to thoroughly overhaul Union Minière and give it a new profile, has now largely been completed, both from the point of view of technologies, cost structure and market position. As regards the new industrial production process for precious metals at Hoboken, it has become clear that more time was needed to optimise the technology and master the learning process.

On completion of its Industrial Plan UM will have a sound industrial base, a broader range of high added value products and an efficient management structure, all of which are expected to have a significant positive impact.

Excluding the impact of the non-recurrent write-down on inventories booked in 1998 and of the problems at Hoboken, UM would have turned in a respectable performance, despite the drop in metals prices. What is more, in many product areas, particularly zinc and electro-optic materials, the Group achieved results which were significantly better than its competitors. The disappointing net loss posted by UM in 1998 is due to a combination of internal and external factors. The non-ferrous metals sector was hit hard by the Asian crisis. Prices of nearly all non-ferrous metals fell to an all-time low, substantially reducing margins. This had a major negative impact on the results posted by all the base metals operations.

The Advanced Materials Business Group operated in a business environment marked by growing competition and lower demand in certain sectors.

In view of the extremely low level of metals prices UM was obliged to book a non-recurrent write-down on inventories of BEF 1.392 billion (EUR 34.5 million).

However, the most serious problems were encountered with upgrading the industrial process at Hoboken. Technological and organizational difficulties affected the precious metals operations, resulting in an operating loss of BEF 2.516 billion (EUR 62.4 million).

New measures introduced

As regards copper and precious metals, the new smelter was shut down for two months for a major technical overhaul. The technical teams have now achieved a proper understanding of the new technology and are in the process of balancing the industrial flow-sheet. In addition, they have started to run down inventories of secondary raw materials containing precious metals; this should have a positive impact on the cost of financing and leasing precious metals. To achieve this far-reaching management changes were implemented at Hoboken.

In view of the negative trends prevailing on the copper market a package of measures has been initiated in Bulgaria in order to speed up the cost-cutting programme and modify the investment schedule.

As regards zinc, the Industrial Plan has been practically completed. Despite relatively low zinc prices, returns have been acceptable and better than those of our competitors.

On the advanced materials front, the development of new products, research and an increasingly international operating base contribute to consolidating the foundations for expanding advanced technology activities, such as materials for rechargeable batteries, night-vision equipment and solar cells.

Structural changes were put in place at Group level with effect from 1 January 1999. Non-ferrous activities were combined into three main Business Groups: Copper and Precious Metals, Zinc and Advanced Materials. These Business Groups have the autonomy they need to develop into strong core businesses.

In January 1999 the Group embarked upon its programme to buy back its own shares.

Outlook for 1999

Despite the fact that the economic environment is far from encouraging, UM remains confident in the future. UM has strong assets : competent staff, proprietary technologies and processes in numerous fields, and unique products and leading market shares. The measures taken to revitalize the UM Group will start to bear fruit in 1999 and the loss booked at Hoboken will decrease significantly. The dollar exposure for the balance of 1999 has been hedged at approximately BEF 36.5/USD.

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

UM expects to return to profit in 1999. The Board of Directors will propose to the shareholders at the Annual General Meeting to be held in May to approve a gross dividend payment of BEF 44 (EUR 1.09) per share, the same as the dividend paid in 1998.

[Click here to see the table.](#)