

Press Release

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UM achieves solid performance in the first half of 2000

<i>(EUR million)</i>	1 st Half 1998	1 st Half 1999	1st Half 2000
<u>Key figures</u>			
◆ Operating profit (loss)	28.0	33.7	78.8
◆ ROCE	4%	5.2%	11,8%
◆ Net consolidated profit (loss), Group share	18.1	21.5	77.9
<i>EPS (*) declared</i>	<i>0.71</i>	<i>0.84</i>	<i>3.04</i>
◆ Net consolidated profit (loss) before extraordinary items, Group share	16.4	24.9	66.2
<i>EPS (*) adjusted</i>	<i>0.64</i>	<i>0.97</i>	<i>2.58</i>
◆ Net debt / Equity	54%	43%	29%
<i>(*) Treasury shares not deducted</i>			

Highlights

- ◆ Solid performance in all areas of activity:
 - Advanced Materials: 40% increase in operating profit
 - Copper: operating profit increased by EUR 10 million
 - Precious Metals: 14% ROCE achieved
 - Zinc: 45% increase in operating profit
- ◆ Strong demand and increased market shares in most markets
- ◆ New growth actions initiated:
 - Thailand: acquisition of 42% in Padaeng Industry
 - France and Belgium: decision to expand zinc smelting capacity
 - South Korea: lithium cobaltite plant under commissioning
 - Bulgaria: USD 109 million investment programme approved
 - Belgium: decision to expand cobalt and germanium capacities

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In the first half of 2000, UM generated a net profit, Group share, of EUR 78 million exceeding thereby the performance of the full year 1999. As a result, the Group's return on capital employed (ROCE) reached 11.8%.

All businesses posted significant increases in operating performance due to strong sales growth and increased market shares. The results were also positively impacted by the favourable US dollar exchange rate, which averaged USD 0.98/EUR for UM in the first half of this year.

Consolidated income statement

<i>(amounts in million)</i>	30/06/99		30/06/00	
	BEF	EUR	BEF	EUR
Turnover	64,634	1,602.2	75,401	1869.1
Operating profit	1,362	33.7	3,181	78.8
Net financial income (charge)	(450)	(11.2)	(418)	(10.4)
Profit of companies included by the equity method	261	6.5	418	10.4
Current profit	1,173	29.0	3,181	78.8
Extraordinary profit (loss)	(61)	(1.5)	505	12.5
Profit before taxes	1,112	27.5	3,686	91.3
Income taxes	(102)	(2.5)	(370)	(9.1)
Net consolidated profit	1,010	25.0	3,316	82.2
Group share	866	21.5	3,141	77.9
Minority share	144	3.5	175	4.3
<u>Net cash provided by operating activities(*)</u>	2,119	52.5	1,973	48.9

(*Operating cash flow + change in working capital + impact of translation and change in scope of consolidation)

[The Statutory Auditors PriceWaterhouseCoopers - Reviseurs d'Entreprises, represented by Robert Peirce, have carried out a limited review of the consolidated income statement, balance sheet and cash flow statement at June 30, 2000, according to the standards of the "Institut des Reviseurs d'Entreprises / Instituut der Bedrijfsrevisoren". Considering their object, the checks of this review were more restricted than those required for the yearly certification. The review did not reveal any element which would have called for significant corrections to be made to the figures of the half-yearly consolidated financial statements.]

Advanced Materials

The Advanced Materials business group performed well in the first half of 2000, achieving a 40% increase in EBIT, primarily due to higher sales in both volume and revenue terms in most of its markets. A similar performance is expected in the second half of the year.

In **UM Cobalt & Energy Products**, almost all end-use markets were very strong. In particular, the primary and rechargeable battery sector continued to benefit significantly from the increased use of portable appliances. The business unit successfully maintained, and in certain areas increased, its market share for most of its products. Sales increased by 23 % for cobalt products, by 51% for nickel products and by 35% for zinc products. Although high demand enabled capacities to be better utilised, with a resultant reduction in costs, commercial conditions remained highly competitive for many products.

Several capital projects for capacity expansions and new plants primarily for batteries applications were brought to a "near completion" status while others were commissioned in the first half of 2000. Additionally, project work commenced on the capacity expansion of the nickel hydroxide plant in Canada, on a new cobalt powder plant in China and on a cobalt oxide plant for battery materials in Belgium. These projects are scheduled to be completed in 2001.

UM Electro-Optic Materials registered a 20% increase in sales volumes primarily as a result of strong growth in the fibre optics market and high activity levels in the other sectors.

Sales of germanium tetrachloride for optical fibres experienced a healthy growth, and sales of germanium dioxide were given a significant boost by the successful development by UM of the Fast Soluble Grade for PET plastics. In infrared optics, the high activity levels registered last year continued. In Speciality Materials, sales grew by 50%. Indium and tellurium volumes rose, as did sales of added value products.

Continual quality improvement of germanium substrates for solar cells allowed the business unit to achieve a very strong position in the market, although the market has stabilised at a lower level than expected.

A decision to invest in a new germanium recycling capacity was made.

The acquisition of Laser Power Corp. (LPC), a NASDAQ listed company, to further diversify downstream in the field of optics, became financially unattractive in view of the counter offer from a competing bidder. Alternative efforts are continuing to achieve the objective of a presence in downstream businesses.

Copper

The upturn in demand in key end-use markets, as well as the sustained efforts towards operational efficiency, allowed **UM Copper** to post markedly improved results, despite still unfavourable copper smelting / refining commercial conditions.

Sales of copper wire rod and shapes were driven by strong demand in the construction, automotive and electronics sectors. Total sales volumes amounted to 283,000 tonnes in the first half of this year, up 5% compared to the first half of 1999, and are expected to reach 530,000 tonnes for 2000 as a whole.

Following the modernisation of its copper smelter in 1999, Union Minière Pirdop Copper's anode production reached 85,000 tonnes in the first half of 2000, up 30% on the first half of last year. Total anode production is expected to reach 155,000 tonnes in 2000, compared to 95,000 tonnes in 1999. The last stage of the investment programme will increase annual production capacity to 185,000 tonnes of copper and ensure compliance with European environmental standards on sulphur and dust emissions. The plant clean-up, which is part of the environmental remediation project carried out on behalf of the Bulgarian government, was successfully completed earlier this year.

Precious Metals

UM Precious Metals confirmed its turnaround, which was initiated in 1999. Increased efficiency of its new installations enabled it to achieve a EUR 14.6 million improvement in operating income, and to exceed the 12% ROCE target.

Most of the 15 metals impacting the profitability of the business unit showed positive price trends as well. As a major recycler of platinum, palladium and rhodium, UM Precious Metals was able to take advantage of the strong rise in platinum group metals (PGM) prices, resulting mainly from the sustained demand in the auto-catalysts sector.

The business unit improved its position in its key secondary materials markets, such as catalysts, electronic scrap and tankhouse slimes. The commercial efforts towards major non-ferrous smelters and refiners continued to pay off and some of them decided to stop refining their own intermediate products and to use UM's competences. The new EU regulations are expected to have a positive impact on the supply of end-of-life scrap from cars, electrical and electronic equipment. Through its joint-venture with Metallo-Chimique International (MCI) the business unit is in a good position to benefit fully from these new regulations.

The demolition of old installations and the plant clean-up started earlier this year will be completed by the end of 2000.

Zinc

The zinc business group's sustained focus on value added zinc products significantly contributed to its 45% increase in operating income in the first half of 2000 compared to the first half of 1999. The same level of performance is expected for the second half of this year.

The overall good performance of the steel galvanising and die-casting sectors was reflected in strong demand and higher premiums for all added value products (specialities). In particular, UM was able to take advantage of the fact that a competitor in zinc alloys for die-casting withdrew from the market, and enjoyed buoyant sales volumes and increased market shares.

Building products sold well in the first half of this year, with sales volumes increasing by 13%. In France this was partially due to the rebuilding work after the storms in December 1999, but an upward trend in the European construction industry is also reflected by improved sales in Spain, Denmark and Germany. The unit is continuing its efforts to maintain close links to its direct clients and end-users, and five new VM ZINC centres in Germany were opened.

Zinc chemicals sales increased due to higher demand for chemical grade dust, and despite lower zinc oxide sales to the ceramics industry, more than offset by higher sales in other application sectors. Better purchase conditions compensated for the negative trend in premiums.

The business group continued its efforts to develop new added value products. UM Zinc launched a new alloy for general galvanising aimed at reducing galvanising residues. UM Building Products expanded its range for cladding facades.

On the supply side, treatment charges increased as a result of the relative oversupply of concentrates world-wide. UM Zinc took advantage of the current trend to further extend its multi-year contract platform.

The implementation of a EUR 24 million investment for 60,000 tonnes additional smelting capacity commenced earlier this year and will be completed in mid-2002.

As part of the international development of its zinc business, UM acquired a 42% stake and became the largest shareholder in Padaeng Industry Public Company Limited of Thailand, the sole South East Asian zinc producer. Padaeng has a refining capacity of 100,000 tonnes per year, and currently produces about 25,000 tonnes of alloys for the die-casting industry. This acquisition will be earnings accretive as from 2000. It will serve as a platform for further growth of zinc and zinc alloy sales in Asia.

Technology & Services

Sogem and UME continued to support the implementation of the Group strategy.

Sogem's operating income improved considerably in France, Italy, China and Japan. It benefited from the improved business climate in Western Europe and in Asia.

Sogemin Metals, the futures brokerage subsidiary of Sogem, also did well. The ongoing discussions with Natexis Banques Populaires on the sale of a majority interest in this activity are expected to be finalised soon.

Diamonds

Megapode, the world's leading producer of synthetic diamonds, performed extremely well in the first half of 2000 and its contribution to UM's results increased by about 60%.

Extraordinary result

An extraordinary profit of EUR 12.5 million was booked, mainly including EUR 16.3 million capital gain on the sale of Emcore, partially offset by social and environmental provisions.

Share buy-back

In view of its still undervalued share price, UM has continued its share buy-back programme in 2000, and currently owns 1,460,908 shares, or 5.7% of its shares.

Stock Option Plan

A Stock Option Plan has been put in place earlier this year for some 700 managers, partially replacing the existing cash bonus scheme.

The Board has amended the 1999 and 2000 Stock Option Plans rules in order to authorise the company to either deliver existing shares held by UM or to create new shares.

Delivery of existing shares would reduce the potential dilution (currently 3.18% maximum).

Hedging

UM took advantage of the strength of the US dollar versus the Euro to enter into various hedging arrangements. As a result, an exchange rate of USD 0.964/EUR and USD 0.975/EUR is ensured for 2001 and 2002 respectively, while retaining some upside potential.

This decision will guarantee substantial profitability and cash flow generation levels.

Outlook

The UM management is confident of exceeding the ambitious target of a 60% increase in net after-tax profit (Group Share) in 2000 versus the 1999 figure of EUR 69 million. With several new investments across the various business groups, combined with a stronger industrial base and a favourable USD rate guaranteed until the end of 2002, we believe UM has now laid the foundations for continued growth in its business and further improvement in its profitability for the years to come.

The "2000 Half-yearly report", providing more detailed information about the operations is available in English on the UM website (www.unionminiere.com) and at the company head office.

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PROFILE

Union Minière (UM) is an international metals and materials group, which strives to obtain leadership positions in selected markets. Its activities are centred on 3 business groups: Advanced Materials, Copper & Precious Metals and Zinc. To ensure a rapid response to the market, each business group is divided into several business units and business lines.

The UM Group has industrial operations in Europe, North America, Asia and Africa and serves a global customer base through an international sales network with offices in more than 25 countries.

The underlying principles of UM's strategy across the various business groups are a commitment to technological innovation, operational excellence, recycling and environmental responsibility.

The Group generated a turnover of EUR 3.2 billion in 1999. UM currently employs some 8,000 people.

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