

# Press release

6 September 2001

## Umicore results up 26% in first half of 2001

### Highlights

- ◆ Total operating profit increased by 26% to €99.5 million
- ◆ Improved return on capital employed in all business groups:
  - Advanced Materials: excellent performance despite the slowdown in the batteries market
  - Copper: slightly improved operating result despite difficult market conditions
  - Precious Metals: exceptionally strong results achieved
  - Zinc: good resilience to declining zinc prices, due to focus on added value products and contribution from acquisitions
- ◆ €54.2 million (Group share) capital gain in relation to De Beers shares

<u>Key Figures</u> (€million)	1st Half 1999	1st Half 2000	<b>1st Half 2001</b>	Improvement versus last year
◆ Operating profit	33.7	78.8	<b>99.5</b>	26%
◆ Return On Capital Employed (%)	5.2 %	11.8%	<b>14.3%</b>	n/s
◆ Net consolidated profit , Group Share <i>Earnings per share (in Euro)</i>	21.5 0.8 4	77.9 3.04	<b>101.3</b> <b>4.22</b>	30% 39%
◆ Net consolidated profit before extraordinary items, Group Share <i>Earnings per share adjusted (in Euro) (1)</i> <i>Earnings per share adjusted before goodwill amortisation (in Euro) (1)</i>	24.9 0.9 7 1.1 4	66.2 2.58 2.97	<b>83.4</b> <b>3.48</b> <b>3.66</b>	26% 35% 23%
(1) Before extraordinary items				

n.v. Umicore s.a.  
Corporate Communication

**Consolidated income statement\***

(€million)	1st Half 1999	1st Half 2000	1st Half 2001	Improvement (Impairment)
Turnover <sup>(1)</sup>	1,602.2	1,869.7	1,908.4	2%
<b>Operating profit</b>	<b>33.7</b>	<b>78.8</b>	<b>99.5</b>	<b>26%</b>
Net financial income (charge)	(11.2)	(10.4)	(5.7)	45%
Current profit	22.5	68.4	93.8	37%
Extraordinary profit (loss)	(1.5)	12.5	37.4	199%
<b>Profit before taxes</b>	<b>21.0</b>	<b>80.9</b>	<b>131.2</b>	<b>62%</b>
Income taxes	(2.5)	(9.1)	(18.5)	(103%)
Profit of companies included by the equity method	6.5	10.4	4.5	(57%)
<b>Net consolidated profit</b>	<b>25.0</b>	<b>82.2</b>	<b>117.2</b>	<b>43%</b>
<b>Group share</b>	<b>21.5</b>	<b>77.9</b>	<b>101.3</b>	<b>30%</b>
Minority share	3.5	4.3	15.9	270%

<b>Net cash provided by operating activities</b> (#)	<b>52.6</b>	<b>48.9</b>	<b>47.8</b>	<b>(2%)</b>
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((#)Operating cash-flow + change in working capital + impact of translation and change in scope of consolidation)

\* "The statutory auditor, PricewaterhouseCoopers - Reviseurs d'Entreprises, represented by Robert Peirce and Luc Discry, has carried out a limited review of the half-yearly financial information at 30 June 2001, according to the standards of the "Instituut der Bedrijfsrevisoren/Institut des Reviseurs d'Entreprises". 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 financial statements in the half-yearly report."

<sup>(1)</sup> The turnover is influenced by currency and metal values without proportional impact on margins

<b><u>GENERAL OVERVIEW</u></b>
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Notwithstanding clear signs of an economic slowdown, which has started to affect some of our main markets during the period under review, Umicore managed to post significantly higher operating results and earnings. The Group continued to take advantage from its focus on value added products and recycling and reap the rewards of its strategic repositioning. As far as external factors were concerned, Umicore benefited from a more favourable USD/EUR exchange rate (USD/EUR 0.93 versus 0.98 in 2000) and strong PGM (platinum group metals) prices. On the other hand, zinc and copper prices were significantly lower compared to the same period last year and have continued to weaken since.

Financial income substantially improved as a result of a lower average debt level and increased dividends from the De Beers shares.

A capital gain of €54.2 million (Group share) was recorded in extraordinary results, in relation to the exchange of the De Beers shares held by the company against cash and Anglo American shares. This gain was partially offset by certain environmental provisions, assets write-offs, as well as other provisions including the full costs related to the name change of the Group from Union Minière to Umicore, which took place on 3 September 2001.

Also, the contribution from companies consolidated by the equity method was affected by a €6 million goodwill write-off (Group share) in relation to the restructuring plan of Megapode.

As anticipated, the first half of the year saw an increased taxation.

### Contributions to Operating Result <sup>(\*)</sup>

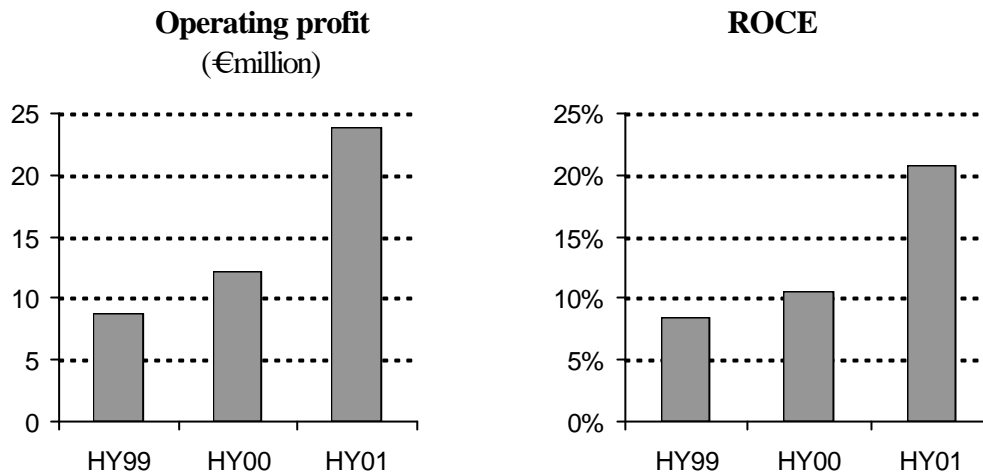
(€million)	1st Half 2000	1st Half 2001	Variance
Advanced Materials	12.1	23.8	11.7
Synthetic Diamonds	7.8	(0.2)	(8.0)
Copper	15.1	16.2	1.1
Precious Metals	12.4	27.0	14.6
Zinc	48.1	45.2	(2.9)
Technology & Services	2.8	3.2	0.4
Corporate and Other Activities	(9.1)	(11.1)	(2.0)
<b>Total</b>	<b>89.2</b>	<b>104.0</b>	<b>14.8</b>
<sup>(*)</sup> including net profit of companies consolidated by the equity method	10.4	4.5	(5.9)

## OVERVIEW BY DIVISION

### Advanced Materials

(€million)	1 <sup>st</sup> Half 1999	1 <sup>st</sup> Half 2000	1 <sup>st</sup> Half 2001
Operating profit (loss)	8.7	12.1	23.8
EBITDA	18.0	27.1	35.9
Turnover	N.A.	225.9	202.3
Average capital employed	205.8	228.5	227.7

ROCE	8.5%	10.6%	20.7%
Capital expenditure	5.2	10.4	15.4



- The Advanced Materials business group performed very well during the first half of the year, with operating profit nearly doubling compared to the same period last year. The diversification of application niches that the business group is serving again proved beneficial.
- Umicore Cobalt & Energy Products** improved its performance compared to the same period last year, despite tougher conditions in certain sectors.

The engineered powders benefited from big orders from the hard metals and diamond tools industries. A new cobalt powder plant was successfully commissioned in China, and this will allow for further growth in what has proved to be a promising market.

Business remained good in ceramics and chemicals, although a slowdown was noticeable towards the end of the first half of the year.

Sales of cobalt compounds and other materials to the batteries industry were however severely affected by the sharp world-wide slowdown of the mobile phone market, with the exception of the Chinese market which remains buoyant.

Umicore Cobalt & Energy Products is continuing to implement its investment programme and is constantly looking for new opportunities to further consolidate its leading position.

- Umicore Electro-Optic Materials** achieved a very good performance in the first half of 2001. Sales volumes increased on average by more than 30% compared to the same period last year. Premiums remained at good levels for most products.

Sales of germanium substrates for solar cells registered a particularly strong growth. Sales of germanium tetrachloride for fibre optic also showed a robust performance, growing by more than 50%. The new plant in North Carolina is due to start up in December 2001, and this will enable the business unit to offer an improved service to this important market segment.

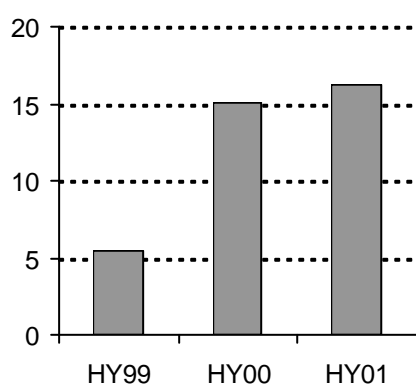
The start up of the new germanium recycling plant in Belgium is progressing as planned. This investment will increase the capacity to process residues from our customers and improve the overall recycling yield at the Olen plant.

- In **Synthetic Diamonds**, Megapode achieved better margins, reaping the benefits of its past productivity efforts. Its contribution to Umicore's results was however totally offset by a goodwill write-off related to the planned closure of the Hamburg plant at the end of this year.

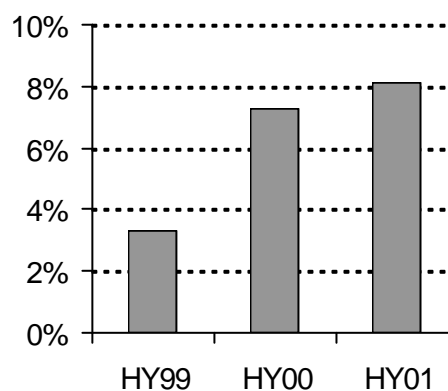
### Copper

(€million)	1 <sup>st</sup> Half 1999	1 <sup>st</sup> Half 2000	1 <sup>st</sup> Half 2001
Operating profit (loss)	5.4	15.1	16.2
EBITDA	19.1	28.4	31.5
Turnover	N.A.	573.2	600.4
Average capital employed	330.2	414.7	390.4
ROCE	3.3%	7.3%	8.1%
Capital expenditure	8.1	16.4	20.3

**Operating profit**  
(€million)



**ROCE**



- Notwithstanding very difficult market conditions, **Umicore Copper** managed to improve its results in the first half of 2001.

Umicore Copper's downstream activities were faced with uneven demand. Sales of copper wire rod were virtually unchanged during the first half of the year despite a marked slow-down in the European market. Sales of copper billets remained stable, while sales of copper cakes were boosted by continuing good demand from the electronics sector.

The construction of the new oxygen-free rod facilities is on schedule, and the new production line will be commissioned before year end.

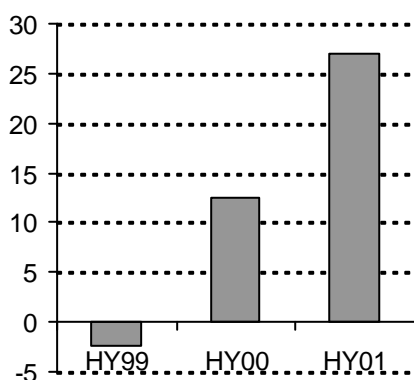
Market conditions in the copper smelting and refining business remained depressed. The increase in treatment charges was more than offset by the impact of declining copper prices.

The USD 150 million investment programme in Bulgaria to increase the smelting capacity up to 210,000 tonnes by summer 2002 is moving ahead.

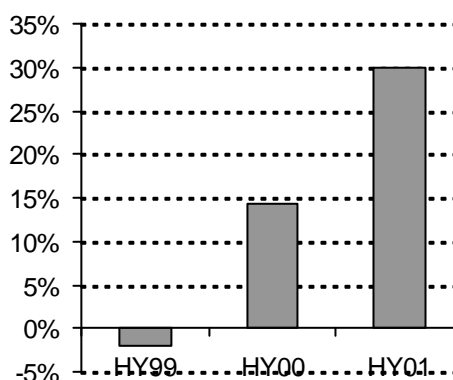
### **Precious Metals**

(€million)	<b>1<sup>st</sup> Half 1999</b>	<b>1<sup>st</sup> Half 2000</b>	<b>1<sup>st</sup> Half 2001</b>
Operating profit (loss)	(2.3)	12.4	27.0
EBITDA	9.4	22.9	37.5
Turnover	N.A.	350.2	368.9
Average capital employed	246.2	172.9	180.2
ROCE	(1.9)%	14.3%	30.0%
Capital expenditure	5.8	6.1	6.5

**Operating profit**  
(€million)



**ROCE**



- **Umicore Precious Metals** performed exceptionally well in the first half of this year, achieving record results.

The supply mix varied significantly during the first half year. Availability of lead raw materials was reduced and the plant demonstrated its flexibility by shifting instead to higher grade secondary products containing precious metals. The supply of end-of-life material such as electronic scrap, car catalysts and petroleum catalysts increased as a result of continuing efforts to develop these markets; in particular, a much larger number of car catalysts was collected in Europe via UMCI, the joint venture with Metallo-Chimique. Both the operating results as well as the return on capital employed were also positively impacted by earlier than anticipated inventory reductions.

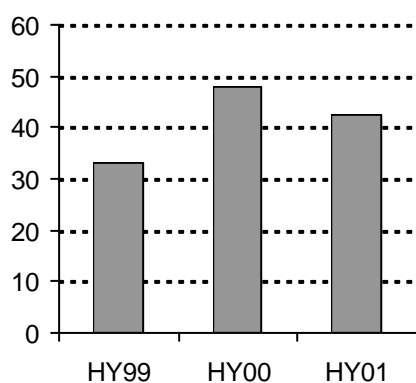
The copper leaching and electrowinning project, aimed at streamlining the operations of Umicore Copper and Umicore Precious Metals, is progressing as planned and is due to come on stream in the first quarter of 2003.

By concluding new supply contracts and using the appropriate hedging mechanisms, Umicore Precious Metals has locked in the benefits of high PGM prices for part of the throughput for the next two years.

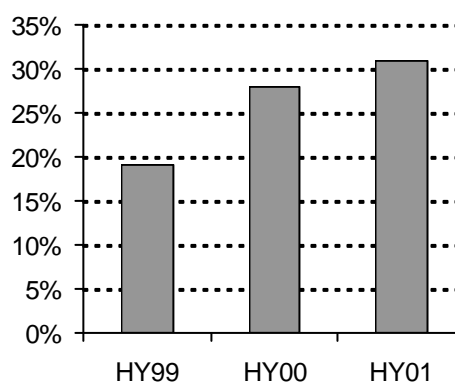
### Zinc

(€million)	1 <sup>st</sup> Half 1999	1 <sup>st</sup> Half 2000	1 <sup>st</sup> Half 2001
Operating profit (loss)	33.2	48.1	42.3
Equity contribution Padaeng	-	-	2.9
EBITDA	51.4	65.7	62.8
Turnover	N.A.	473.4	446.8
Average capital employed	350.3	344.3	288.6
ROCE	19.0%	27.9%	30.8%
Capital expenditure	7.6	9.6	18.4

**Operating profit**  
(€million)



**ROCE**



- Zinc prices declined significantly during the first half, reflecting the global economic slowdown. The business group strong focus on added value zinc products, which represented 76% of total sales in the first half of this year, enabled Umicore to withstand the economic slowdown and achieve a more than satisfactory financial performance under the circumstances. The business group also benefited from a higher USD/EUR exchange rate. Additionally, last year's acquisitions have contributed positively to the results.
- In **Umicore Zinc Smelting**, treatment charges remained favourable, but zinc and sulphuric acid prices continued on a downtrend. The debottlenecking project aimed at increasing capacity up to more than 500,000 tonnes is ahead of schedule and is now expected to come on stream early next year.
- In **Umicore Zinc Alloying**, sales of speciality products remained extremely resilient to the general economic climate, unlike sales of commodity zinc.
- **Umicore Building Products** was affected by the slowdown in the construction industry, which has hit Germany and, to some extent, Benelux. It was however able to post sales figures in line with those of the first half of last year, mainly as a result of sustained activity levels in France.
- In **Umicore Zinc Chemicals** the results of the recently acquired Larvik zinc dust activities have exceeded expectations, and Umicore is now the clear world market leader in zinc dust for paints. Strong competition continues to affect sales on certain zinc oxide markets.
- **Padaeng Industries** in Thailand performed well during the first half year and improved its contribution to the Group's results due to increased sales and reduced financing charges. The investment aimed at increasing zinc alloy production is proceeding according to plan.

### Technology and Services

(€million)	<b>1<sup>st</sup> Half 1999</b>	<b>1<sup>st</sup> Half 2000</b>	<b>1<sup>st</sup> Half 2001</b>
Operating profit (loss)	1.4	2.8	3.2
EBITDA	5.3	4.4	4.0
Turnover	N.A.	239.1	290.0
Average capital employed	106.5	113.0	145.1
ROCE	2.7%	4.9%	4.4%
Capital expenditure	1.0	0.7	0.9

- **Umicore Marketing Services** posted slightly lower results in the first half of the year, compared to a very strong 2000. This was mainly due to a reduced contribution from raw materials trading activities. The sales agency network enjoyed good activity levels.
- **Umicore Engineering** focused on supporting Group's internal projects. Umicore continued to carry out its technology transfer commitments under existing contracts. It has however been decided to limit technology transfers and carry them out only if there is a specific strategic rationale.

## **OTHER**

### **Share Buy-back**

The Extraordinary General Meeting of Shareholders of 30 March 2001 approved the cancellation of 1,617,515 shares, reducing the total shares outstanding to 24,000,000, and approved a new share buy-back programme allowing the company to own up to 10% of its shares. Umicore has actively pursued its share buy-back programme and owned as of 4 September 1,977,165 shares, or 8.2% of the total outstanding shares. The Board has approved the principle of cancelling approximately 5% of the outstanding shares in the coming months.

### **Hedging**

During the first half of the year, Umicore continued its policy of hedging its forward USD exposure. Approximately 75% and 50% of the dollar exposure of 2003 and 2004 is now covered by way of forward contracts. Most of the USD based margins are therefore hedged until the end of 2004.

### **Board Composition**

Mr Pierre Klees has stated the wish to retire from the Board after 14 years as a Director. The Board has accepted this request and expressed its recognition for his active contribution over the years. The Board has elected Mr Jonathan Oppenheimer to replace him. Mr Oppenheimer is Director of DB Investment and a member of the Executive Committee of De Beers.

<b><u>OUTLOOK</u></b>
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In view of the steep fall of most metal prices during the last few months and the continuing global economic slowdown, the second half will be considerably more challenging. Barring any further deterioration in the above factors, the management expects that the 2001 full year results, both in terms of operating result and earnings per share (before extraordinary items) should be at the same level as last year.

*The brochure "2001 Half Year Report", providing more detailed information about the operations, is available in English at the company head office. This document is also available on Umicore's website ([www.umicore.com](http://www.umicore.com)), together with financial statements and slides used for the presentation of the results to the press and analysts.*

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## PROFILE

**Umicore** is the new name Union Minière adopted on 3 September 2001.

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

The Umicore Group has industrial operations on all continents and serves a global customer base through an international sales network with offices in more than 25 countries.

The underlying principles of Umicore'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 3.8 billion in 2000. UM currently employs some 8,000 people.

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