

Press release

9 May 2000

Quarterly Update First quarter performance on track

- ◆ **Very satisfactory progress in first quarter performance for all business groups.**
- ◆ **Last year's investments and acquisitions contributing positively.**
- ◆ **Demand and pricing outlook uneven, but UM's value added and speciality materials generally proving their resilience in tough market environment.**
- ◆ **Commitment to 2001 profit targets maintained.**

Despite the more cautious overall climate, UM's businesses posted generally very satisfactory progress in the first quarter.

The contribution from new investments and acquisitions, the favourable dollar exchange rate, increased production volumes and market shares gains for key UM materials, more than compensated the negative influence of lower zinc and copper prices and a slackening of demand in other areas. Overall, UM's strategy of focusing on value added and speciality materials for a wide range of established as well as fast growing markets contributed to the Group's resilience in a tough market environment.

As a result, the operating performance for the first quarter is well ahead on last year, positioning UM well to further improve on the excellent 2000 results.

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- **Advanced Materials**

UM Cobalt & Energy Products experienced good activity levels in most segments.

The **Engineered powders** business line has enjoyed strong demand from the diamond tools and hard metals markets. The order book is filled up well into the second quarter. The broad range of cobalt powders offered by Union Minière is very successful. Especially the submicron type of powders are in high demand.

A slowdown was noticeable in the **battery** area due to the inventory reduction process in the rechargeable battery supply chain for the mobile phone and computer sector. The Korean and Chinese operations nevertheless performed according to plan. The weakness in the rechargeable battery business is expected to last into the third quarter.

The **ceramics and chemicals** business line performed well. Some markets with exposure to the United States of America are weaker, but this is offset by the broader product offering of the business line.

The wider product range and the global reach of products are expected to contribute consistently to an improved profitability.

UM Electro-Optic Materials has enjoyed very good sales volumes since the beginning of this year, especially in germanium tetrachloride for optical fibres. Good premium levels have been reached in all business lines.

The market for germanium substrates for solar cells has further improved, and UM expects to increase significantly its sales volumes in 2001. The successful collaboration between the European Space Agency (ESA) and UM, and in particular the recently awarded EUR 5.3 million research contract, is contributing to the improved quality and market positioning of the germanium substrates.

The investment in a new germanium recycling capacity in Belgium initiated in the second half of 2000 is on track, and production is due to start up in the fall of 2001. The objective of this investment is to increase UM Electro-Optic Materials' capacity to process residues from the optical fibres industry, and to improve the global recycling yield at the Olen plant.

The **Synthetic Diamonds** activities performed well in the first quarter of 2001, showing improved results compared to 2000.

- **Copper and Precious Metals**

In **UM Copper**, sales of copper wire rod and shapes have improved and premiums have been stable. The Italian rod market has somewhat improved from its low levels at the end of 2000. Production and investment plan are on track at Union Minière Pirdop Copper. The depressed copper price is however negatively impacting the operating result of the smelting activities.

UM Precious Metals has performed very well in the first quarter of 2001, helped by the prevailing high PGM prices, and despite lower prices of secondary metals such as nickel, bismuth and tin.

The supply mix has varied significantly in the last months, and UM Precious Metals has been able to adapt successfully to changing market conditions, with a decrease in the availability of lead raw materials and a shift to higher grade precious metals-bearing secondary products. This again confirms the flexibility of the plant. It is expected that this increased performance will also translate into a significant inventory reduction.

The supply of end-of-life material such as electronic scrap, car catalysts and petroleum catalysts has increased, especially the high grade end, as a result of increased market development efforts.

The copper leaching and electrowinning project, aimed at streamlining the operations of both business units, and due to come on stream in the first quarter of 2003, is progressing as planned.

- **Zinc**

UM Zinc Alloying's downstream focus is clearly paying off in the current circumstances, with sales of commodity zinc for the galvanising industry suffering from the economic slow-down, whereas speciality products sales for both the galvanising and the die-casting industries have performed well in the first quarter.

As far as **UM Zinc Smelting** is concerned, the reliability of the Auby installations following the reinforced maintenance programme has been fully demonstrated in the first quarter of this year, leading to an increased cathodes production.

The treatment charges are favourable, in line with the conditions of 2000, but sulphuric acid prices are still under pressure, and the zinc price trend is negative.

The contribution to UM's results from Padaeng is expected to improve from last year, among others thanks to a reduced debt burden.

In **UM Building Products** the high activity in France partially compensated for the market slow-down in other countries (mainly Germany, Belgium and Italy). For the full year, volumes are expected to be slightly lower in 2001 than in 2000. Sales premiums have been good in the first quarter of 2001.

In **UM Zinc Chemicals**, the Larvik activities contributed as foreseen in the initial acquisition plan, and sales from the Belgian zinc dust operations were also on track. The zinc oxide market remains unsatisfactory, with significant pressure on volumes and premiums in most market segments.

- **Technology and Services**

Sogem posted results in line with previous year, supported by a good performance from the Western Europe agency activities.

Based on the good performance of the first quarter, taking into account the most recent demand outlook in key end use sectors, and not anticipating any sustained upturn in zinc or copper prices, UM's management reconfirms its commitment to the profit targets announced on 15 February, i.e. a 15% increase in operating profit, a 10% increase in net consolidated profit, Group share, and a 15% increase in earnings per share, not taking into account any extraordinary results for 2001.

UM intends to accept the current bid on the De Beers shares by a consortium including Anglo American, Central Holdings Ltd and Debswana. Subject to the approval of the bid by De Beers' shareholders, UM would record a significant capital gain on the sale of its shares.

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