

Press release

12 November 2001

Quarterly Update

- ◆ **Increasing impact of steep fall in metal prices and the economic downturn affect Umicore's units unevenly:**
 - **Advanced Materials: continued good performance in Electro-Optic Materials; weakening in Cobalt and Energy Products and Synthetic Diamonds;**
 - **Copper: steadily weaker copper market and longer than anticipated shutdown in Bulgaria**
 - **Precious Metals: sustained very strong performance**
 - **Zinc: record low zinc price affects bottom-line; building materials resist well**
- ◆ **Cancellation of 1.4 million shares from share buy-back programme will be proposed before year-end**
- ◆ **In view of the drastic deterioration of the base metals market during the last semester, full year earnings per share before extraordinary items and potential inventory write-downs are now expected to reach approximately €4.65 in 2001.**
- ◆ **Umicore's above average resilience in this difficult economic climate opens opportunities to further strengthen its competitive positions.**

- **General overview**

Whilst Umicore was able to announce a very strong performance for the first half of 2001, the third quarter has started to be affected by the fall in most metals prices, almost unprecedented in its speed and severity – especially for zinc. The accelerated fall since mid September will have an even deeper impact on the fourth quarter.

Whilst demand levels stayed at good levels for the third quarter for most products, the demand outlook for the fourth quarter is more subdued in view of the worsening of the global economic situation following the events of September 11th. The numerous ongoing growth and development projects will be insufficient to fully compensate these negative factors in the near future.

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In view of all these factors, Umicore has revised its full year profit expectation. Mostly due to the drastic deterioration of the base metals market during the last semester, full year earnings per share before extraordinary items and potential inventory write-downs are now forecasted to reach approximately €4.65 (vs. 5.47 in 2000).

The ability to post continued overall healthy results in a year of rapid decline of metals prices and a sharp economic slowdown underlines the significant impact of the strategic repositioning efforts of Umicore over the recent past. Umicore's resilience to the adverse market conditions should allow it the opportunity to further strengthen its competitive positions in the course of this downcycle.

- **Advanced Materials**

In **Umicore Cobalt and Energy products**, the third quarter has been increasingly impacted by the downturn in a number of end-use markets. The battery materials remained depressed and did no longer benefit from any order backlog. A number of other application segments have however continued to show better resilience to the economic slowdown. The record low cobalt prices also started to affect revenues of the cobalt refining and recycling activities.

The rechargeable batteries market continued to be weak, resulting in a strong pressure on sales of cobalt and nickel compounds to this market segment. The lithium cobaltite produced in the new Korean plant is however highly successful, and sales are expected to continue to grow.

The business unit increased its sales and market shares in zinc powders for primary batteries as a result of high quality performance, especially in the promising Chinese market. Our position as supplier of zinc calots for zinc carbon batteries is still strong but this market segment is declining with unsatisfactory pricing.

Sales of engineered powders have been strong, both in terms of premiums and volumes. Thanks to its wide product range the business unit can provide solutions for all types of applications. This is especially true for the newly developed submicron powders from the Canadian operations, recognised for their excellent technical properties. On the other hand, the production of nanopowders in the United States has been discontinued.

In ceramics and chemicals, the strategy of broadening the cobalt and nickel product range has continued to bear fruit. While the ceramic market is generally weak with lower revenues from cobalt oxide range, Umicore's products for the catalysts and plating industries were successful.

In **Umicore Electro-Optics Materials** most business lines are performing well. Sales are expected to grow by more than 25% on average as compared to last year.

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Sales of germanium substrates for solar cells have continued to grow strongly, benefiting from their high quality level as well as from the gradual shift from conventional silicon solar cells to higher performing multi-junction solar cells based on germanium.

Sales of germanium tetrachloride for optical fibers have continued to enjoy a very strong growth, despite the turmoil in the optical components and optical fibers markets. Despite some signs of slow-down in the last months of this year, this business line is expected to post a record performance in 2001, mainly due to increased market shares.

Sales of germanium for infra-red optics applications have been growing. The Vertex acquisition, aimed at stimulating commercial applications with cheaper materials, is now being fully integrated.

The **Synthetic Diamonds** activities have been faced with strong competition and increasing pressure in terms of volumes and premiums. The restructuring plan with the closure of the Hamburg plant has been accelerated.

- **Copper and Precious Metals**

Umicore Copper has been strongly affected by the deterioration of the copper market, especially the smelting operations in Bulgaria. The market improvement in treatment and refining charges was more than offset by the lower copper price and slower demand.

The shutdown in the context of the smelting capacity increase was longer than originally planned due to delays from the contractor. This will lead to a lower than expected anodes production in 2001. On the other hand, negotiations with the Bulgarian government regarding certain amendments to the privatisation contract of the Pirdop plant were successfully concluded. The implementation timeframe of Umicore's investment commitments has been extended to 2004, and Umicore is no longer required to build a new refinery.

Demand for copper semis has been uneven, with healthy sales volumes in copper shapes, but lower volumes in copper wirerod, except for the Italian market which has recovered from last year levels. The new oxygen-free rod installation was successfully started, ahead of schedule, and the first deliveries have already taken place.

Umicore Precious Metals has been running extremely well and is expected to confirm its excellent operating performance of the first half of this year. As previously mentioned, the €8 million gain resulting from precious metals de-stocking in the first half of this year will not be repeated in the second half of the year although further de-stocking will occur in the coming years. In the third quarter, a dispute relating to a supply contract was settled, resulting in a payment to Umicore of close to €2 million.

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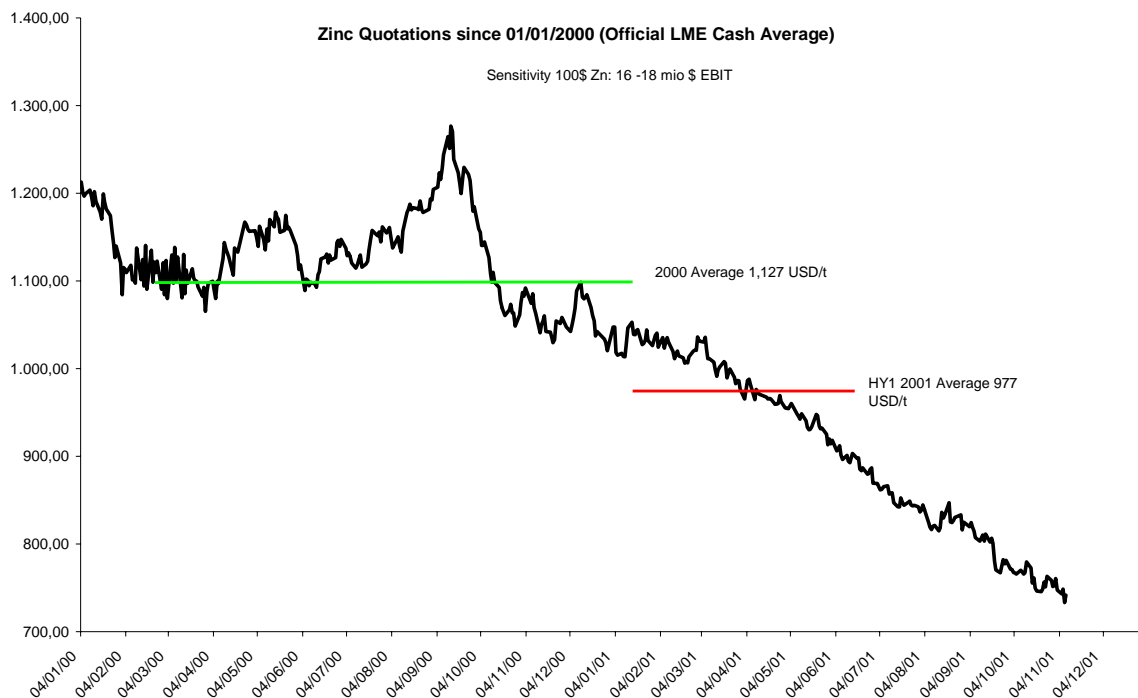
Concrete results have already been achieved in the frame of the productivity improvement projects launched by the business unit earlier this year.

As could be expected, lower PGM prices had an impact on the availability of spent auto-catalysts and electronic scrap. The business unit supply of those materials is however expected to further increase although at a slower pace.

Thanks to its flexible operations, the business unit remains well positioned to take advantage of market evolutions and opportunities when they arise, especially in a climate where many other producers are downsizing their activities including precious metals recovery.

- **Zinc**

The zinc prices continued their steep decline since the beginning of the year. In November, the cash zinc price reached a low of USD 730/tonne, down 35% from the average of 2000 and 25% from the average of the first half of 2001.



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In **Umicore Zinc Smelting** the debottlenecking aimed at increasing total capacity up to more than 500,000 tonnes by the end of 2001 is well on track. The Auby plant has continued to demonstrate its increased reliability following the extensive maintenance programme, and the resulting production increase offset the loss of 5000 tonnes of zinc production due to a technical incident at the Balen plant. The decline of the zinc price started to severely affect the refining revenues.

The zinc market in Thailand has so far shown resilience to the economic slowdown. **Padaeng Industries** could also benefit from operating improvements in terms of plant and supply management as well as from reduced financing charges.

Umicore Zinc Alloying was faced with uneven demand in its main markets. Sales of commodity zinc for the continuous galvanising industry dropped significantly, whereas added value products showed a better resilience to the tough economic climate. Speciality products for the galvanising industry have been performing well, with customers continuing to shift from traditional galvanising baths to Umicore speciality galvanising alloys, also in the United States and in China. Sales of zinc alloys for the die casting industry in Asia have however been under pressure due to weaker demand and strong competition.

The overall slowdown in the European construction industry affected the results of **Umicore Building Products** in Germany and Benelux. The French market however continues at a high level of activity. Premiums have been maintained, assisted also by improved sales of added-value products such as preweathered zinc and manufactured products.

The business unit has completed the purchase of the business and equipment of a former partner in Germany, and now has a fully installed plant close to Frankfurt, producing a range of finished products that are adapted to local construction standards, especially gutters, downpipes, and other long products.

Umicore Building Products continues its efforts aimed at developing new markets and products with results expected over the coming two or three years. Promising developments are already observed in the USA and Australia.

In **Umicore Zinc Chemicals** the three Larvik plants have now been fully integrated. Zinc dust activities enjoyed healthy sales volumes.

The zinc oxide market remained tough. Temporary anti-dumping measures against Chinese imports in the zinc oxide market for the ceramic industry have been approved by the EU, which should improve the business environment, especially in the Spanish market. The low zinc price continued to negatively affect the availability and purchasing terms of raw materials and put a severe strain on the results of the thermal refining activities in Overpelt, Belgium.

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In view of the overcapacity on the European zinc oxide market and the continuous weakening of the UK market in particular, Umicore has decided to close its Barking plant in the UK. This decision was implemented in October. Similarly, the business unit is consolidating its raw materials purchasing and processing by discontinuing production at Fécamp in France. Umicore expects those steps to help rationalising the zinc oxide market.

- **Share buy-back programme**

Umicore currently owns 9.4% of the total outstanding shares. In line with the Board's decision of September 5th, the cancellation of 1.4 million shares will be proposed to the shareholders before the end of this year.

- **Extraordinary items**

A small additional capital gain following the disposal of the remaining Anglo American shares is expected to be recorded in the second half of the year. This gain will however be offset by the costs related to restructuring measures in the zinc area. There will also be additional charges in relation to the restructuring of Megapode.

Should metals prices remain at current levels or decrease, and depending on the evolution of the USD / €exchange rate, Umicore may be required to record a write-down on certain metals- in-process inventories at the end of this year.

- **Outlook**

In view of the deterioration of the global economy and the further fall of metal prices since September, full year earnings per share before extraordinary items and potential inventory write-downs are now forecasted to reach approximately €4.65 (vs. 5.47 in 2000). The ability to post continued healthy overall results in a year of exceptionally rapid decline of metals prices and economic slowdown underlines the significant impact of the strategic repositioning efforts of Umicore over the recent past. Umicore's resilience to the adverse market conditions should allow it the opportunity to further strengthen its competitive positions in the course of this downcycle.

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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. Umicore currently employs some 8,000 people.

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