

Press release

21 May 2002

Quarterly Update

- ◆ Adverse market conditions in Copper and Zinc
- ◆ Continued robust performance in Precious Metals
- ◆ Contrasting evolutions in Advanced Materials
- ◆ Further acquisitions to prepare for the future
- ◆ Operating profit for the first half of 2002 expected to be in line with the second half of 2001.

General Overview

Trading conditions during the first quarter of 2002 continued to prove difficult. Overall development of demand and margins showed little improvement on the depressed conditions which have prevailed since the second half of 2001.

Zinc and copper prices remained at very low levels. Demand in some sectors, notably for copper products, zinc alloys, germanium tetrachloride and engineered powders declined further from the levels of the second half of 2001, but there was an improvement in other segments of the Advanced Materials business. Precious Metals continued its robust performance.

Umicore continued to gain market shares in various areas together with a series of acquisitions. This further enhances the Group's strategic and competitive positioning ahead of the economic recovery.

Overall, Umicore expects its operating profit during the first half of 2002 to be in line with the second half of 2001.

◆ Advanced Materials

Cobalt & Energy Products

Engineered Powders – Sales volumes have been affected by the downturn in the hard metals industry, which traditionally comes late in the general economic cycle. The satisfactory performance of those products used in the diamond tools sector only compensated for this to some extent. Umicore was able to maintain market shares and margins in all areas.

Batteries – Sales of zinc products for primary batteries were good in the first quarter, with production at full capacity. The first signs of a pick-up in demand for rechargeable batteries were noticeable. Sales of cobalt oxide to the Asian battery market were substantially above the levels at the end of last year but demand for nickel hydroxide remained problematic.

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Ceramics and Chemicals – Volumes were strong, with the business benefitting from the increasingly diversified range of products available. The integration of the recently acquired Alabama plant continued apace. Efforts continued towards the diversification of Umicore's product range in this area. The acquisition of a production base in the Philippines in May is a further step towards broadening the product range and geographical reach of the business. The plant produces chemicals primarily for the catalyst, plating, ceramics and glass industries and provides further impetus to Umicore's development strategy in these markets.

Electro-Optic Materials

High-Purity Chemicals – The difficulties in the optical fibres industry have now also resulted in substantially reduced demand for germanium tetrachloride. The long-term prospects for this market remain strong, despite current pressure on volumes and premiums. The recycling unit at Olen continues to prove successful in the processing of germanium residues from Umicore and third parties and allows Umicore to capture additional market share. Sales volumes of germanium dioxide were stable.

Optics – Activity levels were stable in germanium products. Interest in chalcogenide glass has been confirmed and small commercial orders have started to be taken for this promising new product.

Substrates – Sales volumes continued to grow, although at a lower rate than the extremely high levels of last year. Efforts continue to support the development of new applications for germanium wafers as well as to develop new types of substrates.

Specialty Materials – Sales for the new high purity cobalt line were particularly encouraging but demand for other products declined. The acquisition of Unaxis Materials AG and Arconium in May (subject to regulatory approval) is a move which provides Umicore with increased downstream exposure in precious metals, indium and speciality metals. Both acquisitions will be incorporated in a new business unit, Specialty Materials, which will henceforth form a third business unit within Advanced Materials and will incorporate the current Specialty Materials business line.

Venture Unit – Production commenced of a new line of indium phosphide wafers which is in qualification with customers. Research continues into silicon carbide and electronic powders and there are promising additional openings in the indium phosphide and silicon carbide wafer sectors. The acquisition of Sterling Semiconductor (pending final closing) would boost Umicore's future presence in silicon carbide.

Synthetic Diamonds – The significant downward pressure on prices was largely offset by increased sales volumes and further productivity improvement. Supplementary costs were incurred aimed at further optimising certain operations.

◆ Copper and Precious Metals**Copper**

The copper market in general remained very weak with the copper price remaining at a low level. Some technical difficulties during January and February resulted in a lower than anticipated production of anodes and commercial conditions and margins deteriorated further from 2001 levels. Production at Pirdop was halted as scheduled during April due to work associated with the current capacity expansion project. The start-up following the completion of the expansion project took place in early May and currently is fully on schedule.

The poor economic climate resulted in lower demand for cakes and billets. There was also downward pressure on sales volumes of wire rod.

Precious Metals

Precious Metals continued to operate at an overall level that was highly satisfactory. The availability of some raw materials declined somewhat – partly the result of lower PGM prices. The supply of lead residues from other non-ferrous smelters was also affected by the lower activity levels in this industry. Production remained stable, however, with further processing of stocks taking place in the first quarter.

The unit continues to optimise its process, allowing planned reductions in inventories to proceed.

The copper leaching and electrowinning plant remains on schedule to come on-stream by the first half of 2003.

◆ Zinc

The situation in the zinc industry remained difficult as a result of reduced demand for end-products, excess metal supply and a tight concentrates market. All business units were impacted to some extent but the strategy to focus on recycling and specialty products continued to afford Umicore a better resilience than most competitors.

Zinc Smelting

The anticipated benefits of the capacity increase were offset by the strike at Auby, in France, which resulted in a loss of approximately 8,000 tonnes of production. Additionally, electricity costs increased. The zinc price did not show any significant increase since the end of last year, averaging some USD 790 per tonne during the first quarter of 2002. Market treatment charges declined by more than 10% but Umicore remains partially shielded from this development thanks to the long-term nature of its supply contracts.

Padaeng – operations have also suffered from the difficult market conditions. The Thai market remained resilient whereas other markets in Asia witnessed a slowdown in sales.

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Zinc Alloying

Sales volumes of specialty galvanizing alloys and commodity products remained stable but premiums for commodities continued to suffer into 2002. Specialties for die-casting saw a drop in volume with a clear weakening and a general pressure on premiums on the Asian market. Market shares for die-casting products remained stable in Europe, while global market shares for galvanizing products have shown a slight improvement. However, the slow-down in end user industries such as construction and automobile manufacturing continues to take its toll.

Zinc Chemicals

Sales volumes and premiums for all products have, on average, shown signs of improvement during the first quarter. Sales of zinc dust were up in all geographical regions and while there were signs of stiffening competition in Asia, the overall picture is encouraging. The situation regarding zinc oxides has improved somewhat with sales volumes up for most related products. The ceramics sector, however, remained difficult. The market in Southern Europe was again weakened by the continued imports of Chinese zinc oxide since the measures applied by the EU to combat such dumping were not as stringent as had been previously expected.

Building Products

Sales activity in France continued to prove the main positive area. Volumes held firm while there was a certain degree of pressure on margins. Other European markets, such as Germany, Benelux and Scandinavia were affected by the continued downturn in the construction industry. The business unit held on to its leading market shares.

◆ Other

Umicore Marketing Services

The Umicore Marketing Services network activities continued at similar levels to those of the last part of 2001. Activity in the major market of Western Europe saw a slight improvement. The third-party trading activities of Sogem were somewhat down.

Umicore Engineering

Umicore Engineering continued to provide support for internal investment projects. Work continues on completing those external projects on which Umicore Engineering had been engaged.

Outlook

Umicore expects that the first half of 2002 will continue to be characterised by a sluggish economic climate and low prices.

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In view of these factors, it is expected that operating results will be in line with those of the second half of 2001, but markedly below the record levels of the first half of that year.

There are as yet little concrete indications of improvement of demand for the second half of 2002. However, even in the absence of any economic recovery, the completion of a number of internal programmes is expected to lead to somewhat improved operating profits in the second half of the year.

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Umicore acquires assets of Unaxis Materials and Arconium A new business unit for Advanced Materials

Umicore has acquired Unaxis Materials AG¹, based in Balzers, Liechtenstein, along with three of the four business lines of Arconium, based in Providence, Rhode Island (USA). Both acquisitions are subject to regulatory approval. These businesses will be added to Umicore existing Specialty Materials business and complement one another. They will provide Umicore with increased downstream exposure in precious metals, indium and specialty metals. The acquisitions are compatible with Umicore's focus on value-added products, recycling and security of supply. They also provide additional growth opportunities in line with Umicore's objective of doubling the size of its Advanced Materials division by 2003.

Both acquisitions relate to 'thin layer' technology and materials – which involve depositing layers of high-quality metals or metal compounds on a substrate. Umicore's strategy is to develop businesses in this area through a combination of initiatives in selected substrate markets and thin layer products. Umicore has built world-class expertise in technologies related to germanium and cobalt and these acquisitions are important steps in extending this approach to other metals present in the company's portfolio. The acquisitions are a further step towards the development of a downstream business based on speciality and precious metals present in the various flow sheets of Umicore, particularly that of Umicore Precious Metals.

1. Unaxis Materials AG – part of the Materials division of Unaxis

Unaxis Materials AG is one of the world's leading suppliers of materials for Physical Vapour Deposition (PVD) applications, particularly for optics and optical data storage. Umicore has acquired this business, together with a commercial office in New Hampshire (USA) and a bond shop in Taiwan, for an enterprise value of approximately EUR 25 million. These operations employ 80 people and generated a turnover of approximately EUR 35 million in 2001.

¹ Unaxis Materials AG is part of the Materials Division of Unaxis Holding AG (Zurich)

The acquired unit manufactures and supplies sputtering and evaporation targets. These targets (also known as PVD materials) are metal-based materials involving the use of a variety of precious and non-ferrous metals, which are uniformly deposited on a surface in a vacuum chamber using evaporation or sputtering (bombardment of the target with ions). The main applications of Unaxis Materials' targets are in coating optical disks (such as DVDs and CDs), precision, ophthalmics, fibre optics and electronics, such as sensors and semiconductors.

The transaction provides Umicore with excellent downstream entry opportunities in the data storage and optical coating industries along with the possibility of significant synergies involving research and development, recycling (approximately 70% of each target has to be recycled) and metals management and marketing. There is also a possibility of developing downstream applications for precious and special metals produced at Umicore's Hoboken plant.

2. **Arconium** – a division of Fry Technologies²

Umicore has acquired these assets for a value of about EUR 3 million. Arconium is a leading manufacturer and supplier of indium-based products for applications such as flat panel displays, batteries, electronics, telecommunications and advanced lighting. The acquisition will enable complete vertical integration with Umicore's existing indium production and will provide an excellent fit with the business acquired from Unaxis. The businesses involved in the transaction generated sales of approximately EUR 5 million in 2001 and involve approximately 20 people.

Arconium's activities involve three main business areas: *Sputtering Targets* has a fully integrated production capability for a range of indium-based targets, notably for the telecom and computer hardware markets; *Speciality Chemicals* produces and sells indium compounds for alkaline batteries, electronic displays, lighting and semiconductors; *Cast Products* involves the production of alloyed metal as well as high-purity indium for the compound semiconductor market. The potential exists to harness the technology and expertise of Arconium with Umicore's efforts to develop its presence in materials for batteries, high-speed semiconductors and flat panel displays.

Integration

Unaxis Materials AG is expected to make a positive contribution to Umicore's earnings with immediate effect, while Arconium is expected to make a positive contribution to Umicore's earnings from 2003.

² A subsidiary of Cookson Electronics, a division of Cookson Group plc

Both acquisitions will be integrated in a third business unit alongside Cobalt & Energy Products and Electro-Optic Materials. This business unit, which will be called Specialty Materials, will include the existing Specialty Materials business line which is currently a part of Umicore Electro-Optic Material. It will involve some 130 people. The creation of this business unit is a logical step which will combine Umicore's indium metal, indium compounds and high-purity cobalt activities with the activities of the acquired businesses.

The commercialisation of Arconium's battery-related indium products will be carried out by Umicore's Cobalt & Energy Products business unit – the world leader in materials for primary and rechargeable batteries.

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PROFILE

Umicore is an international metals and materials group. Its activities are centred on four business areas: Advanced Materials, Copper, Precious Metals and Zinc. Each business area is divided into market-focused business units.

Umicore focuses on application areas where it knows its expertise in materials science and metallurgy can make a real difference, be it in products that are essential to everyday life or those at the cutting edge of exciting, new technological developments. Umicore's overriding goal of sustainable value creation is based on this ambition to develop, produce and recycle metals in a way that fulfils its mission: materials for a better life.

The Advanced Materials business group produces high-purity metals, alloys, compounds and engineered products for a wide range of applications, and is the world leader in cobalt compounds and germanium products. The business group is divided into two business units, Cobalt & Energy Products and Electro-Optic Materials, and also contains a specialist venture unit devoted to identifying and nurturing new business opportunities and projects.

The Umicore Group has industrial operations on all continents and serves a global customer base; it generated a turnover of EUR 3.5 billion in 2001 and currently employs some 9,000 people.

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