

Press release

7 November 2003

Quarterly update

GENERAL OVERVIEW

Umicore experienced an encouraging third quarter with good levels of business activity during the normally quieter summer months. The contribution of PMG (which is being consolidated from 1 August) has been fully in line with expectations. The Advanced Materials business group demonstrated a further improvement in its level of performance. Towards the end of the period the prices of zinc and copper also showed signs of recovery. Most of the Group's other businesses exhibited a continuation of the trends prevalent during the first half of 2003. Given these developments, Umicore anticipates that full year EBIT (including PMG from 1 August 2003) will reach approximately €130 million.

During the third quarter much time and effort has been dedicated to ensuring the smooth integration of the PMG operations into the new company structure. Priority areas have been the establishment of a clear, unified management structure; the integration of precious metals refining and precious metals management operations; the reduction of working capital in the combined business and the application of a uniform set of financial controls and procedures. At the same time, the integration process has been designed to create minimum disruption to the on-going business activities. In terms of reporting segments, two new groups have been created: Precious Metals Services combines the precious metals refining operations of Umicore and PMG and also includes the expanded metals management business. Precious Metals Products and Catalysts incorporates all the other former PMG businesses (except Fuel Cells) and also includes Thin Film Products which was formerly part of the Advanced Materials business group. Fuel Cells has been grouped within Research, Development and Innovation, which is included in the Corporate & Investment reporting segment.

The Advanced Materials business was strengthened by the acquisition of the EaglePicher germanium business and Umicore has also acquired a 40% stake in Ganzhou Hongsheng Metallurgical and Chemical Company This further adds to Umicore's global leadership in the cobalt market.

On 22 July Umicore sold one million of its own shares previously held as treasury shares. These shares were sold as a block to a financial intermediary and were subsequently placed among a limited number of financial institutions throughout Europe. As at 31 October, Umicore owned 3.24% of its share capital (733,199 shares). Following the placement by Suez of two million Umicore shares in October, Umicore's free float has increased to 79%, which should result in an increased weighting in the Bel 20 Index.

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ADVANCED MATERIALS

Engineered Metal Powders

The Engineered Powders business continued to perform well. The sales of cobalt powders for hard metals tools were particularly healthy, boosted by increasing demand from the electronics and oil drilling sectors. Demand for cobalt powders for diamond tools was subdued in Europe, while Asia remains a growing market for both hard metals and diamond tools applications.

Sales volumes and premiums for zinc powders suffered from reduced demand in the increasingly competitive European and US markets. In contrast, Umicore's Chinese operations performed well and the business was able to meet increased demand from its customers thanks to the successful capacity expansion finalised earlier this year.

In October Umicore finalized the acquisition of a 40% equity stake in Ganzhou Hongsheng Metallurgical and Chemical Company, a cobalt processor based in Ganzhou, China. Umicore already had a cobalt processing partnership with Hongsheng but this transaction is in line with Umicore's overall aim of increasing its presence in China. This transaction allows Umicore to further strengthen its leadership position in the global cobalt products market. Hongsheng has an annual capacity of more than 1,000 tonnes of cobalt products and employs some 540 people.

Specialty Oxides and Chemicals

The market for rechargeable battery materials remained very strong in the third quarter, driven by demand for applications using lithium ion batteries such as mobile phones and laptop computers. The capacity increase at Umicore's lithium cobaltite plant in South Korea to 2,500 tonnes per year will come on stream during the fourth quarter of 2003.

The Ceramics and Chemicals business performed well despite the normal seasonal slowdown in the summer months. The diversified product portfolio and extended geographical reach continued to aid the development of this business. The US facility continued to successfully widen its customer base during this period and also developed a new product - cobalt manganese oxide - for the ceramics industry based on the recycling of catalysts and also residues from the lithium cobaltite production facility in Korea. The plant in the Philippines completed a de-bottlenecking in its nickel refinery and increased its output of nickel specialties for the plating and catalyst industries.

Electro-Optic Materials

Although year-to-date sales of germanium substrates were well below the levels of 2002, the third quarter saw a continuation of the improved demand levels witnessed towards the end of the first half of 2003. Further work was done on the development of germanium substrates for electronic and opto-electronic applications.

Demand for germanium tetrachloride from fibre optic cable manufacturers improved slightly. Deliveries of germanium dioxide were stable.

The slight improvement seen in the finished optics segment in the first half continued into the third quarter. The integration of the activities acquired in the US (assets of EaglePicher Technologies) was implemented during the third quarter.

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Synthetic Diamonds

Megapode performed well with increased sales volumes for all product categories compared to the same period last year. Price pressure remained a feature of the market for diamond grit products.

PRECIOUS METALS PRODUCTS AND CATALYSTS**Automotive Catalysts**

The European and American automotive industries continue to show a contraction of overall sales volumes, albeit from historically high levels. In this environment, Umicore's Automotive Catalysts business unit was able to grow its volumes compared to the previous year and performed according to plan. The main factor contributing to this was the implementation of development plans in the US. The ramping up of the production capacity at the Burlington plant in Canada is proceeding according to plan.

The business unit has developed a new catalyst technology for diesel particulate filters (DPF). These catalytically activated diesel particulate filters reduce the emissions from current diesel engines. They comply with the strict legislation for 2005 EU IV and will initially be used by Daimler Chrysler. They will be the first commercially available catalyzed DPF on the market.

Technical Materials

Although the technological strength of this business enabled it to grow its sales volumes year-on-year despite weak overall economic conditions, sales prices were lower. Sales of platinum engineered materials were driven by the growth in demand from LCD glass producers while the Asian market exhibited improved demand in the electronics sector. Sales of electrical contact materials benefited from development projects in China.

Jewellery and Electroplating

The general demand for jewellery is down in Europe but the jewellery business (which includes the Allgemeine subsidiary) benefited from increased demand from its customers – mainly large branded jewellery producers – for higher quality materials. In electroplating, sales volumes were stable.

Precious Metals Chemistry

This business unit produces precious metal compounds for various industries and homogeneous catalysts for bulk and specialty (e.g. pharmaceutical) industries. Sales volumes of homogeneous catalysts increased despite the slowdown in the main end-user sectors. A significant capacity expansion for homogeneous catalysts in Hanau has been completed and is now operational.

Thin Film Products

Demand from the electronics and optics industries was healthy, and the business unit was able to grow its sales volumes compared to the same period of last year. In optical data storage competition was fierce in main markets and sales volumes and margins were under pressure. In displays, a strong position is being developed in chromium products (Taiwan), but sales of indium products (USA, Providence) remained low.

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PRECIOUS METALS SERVICES

The operations at Hoboken performed well, although they were again somewhat affected by the reduced supplies of raw materials. Arrivals of electronic scrap and automotive catalysts slowed down during the summer months and the general availability of these two sources of feed continues to be hampered by the fact that precious metals prices have not shown any significant positive evolution so far this year. The availability of by-products from the non-ferrous metals industry continued to be affected by the reduced activity levels in this industry in Europe. Despite these tight supply conditions, Hoboken was able to secure satisfactory levels of feed during the quarter and specific efforts have been made to further broaden the supply base - something that is made possible by the flexibility of the flowsheet..

The high level of process efficiency has again provided Umicore Precious Metals Services with a positive counterweight to the prevailing market conditions.

The study relating to the integration of PMG's refining activities in Hanau (Germany) into Precious Metals Services is making progress. A decision on the industrial configuration in refining is expected in the coming months. The unification of the metals management operations has already led to new opportunities and has aided the ongoing efforts to reduce capital employed in the combined business.

ZINC

The average zinc price for the third quarter of 2003 showed some improvement, at USD 836 per tonne vs USD 786 for the same period of last year.

Zinc Smelting

Production from Umicore's smelters in Balen and Aubry was in line with last year. Market treatment charges remained unsatisfactory, although Umicore has continued to benefit from its long-term contracts policy. The availability of secondary materials improved and sulphuric acid prices were significantly better than last year.

As in the first half of the year, the higher energy costs in Balen - resulting from higher electricity prices and increased levels of taxation on energy consumption - were offset to some extent by lower taxation of electricity in France. Umicore, together with other industrial companies, has continued its information campaign to highlight concerns over energy taxation policy and its possible consequences on the competitiveness of Belgian industry.

Padaeng

The trends that were evident during the first half of the year carried through into the third quarter - the domestic Thai market remained strong and the proportion of alloys in overall sales was up year on year despite poor demand from the Asian die-casting sector.

Zinc Alloys and Chemicals

Significant imports of Asian zinc oxide at low prices meant that the European market for zinc oxide remained depressed. The business benefited from the refocusing of its portfolio on the highest added value activities.

In fine zinc powders, activity was stable, with the performance of recycling activities still slightly affected by lower revenues resulting from the low zinc price.

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The continuous galvanising business benefited from the closure of European smelters in the first half of the year with volumes and premiums improving. Sales volumes increased in general galvanising products although levels of demand varied greatly in Europe from country to country. In the European market, overall demand for die-casting alloys remained healthy, whereas sales of die-casting alloys in Asia were affected as a result of fierce competition.

Building Products

The overall trend was in line with the first half of the year, with sales in Germany still suffering from the depression in the German building industry. The French market was stable, however, and the business unit was also able to take advantage of its improved product offering and increased geographical scope, as a result of the acquisitions of the past year. Management of the product and market portfolio also contributed to slightly better overall premiums for finished products. Improvements in the unit's productivity and cost base also continued to bear fruit.

COPPER

The lower levels of LME copper stocks led to an improvement in the copper price, which averaged USD 1,759 per tonne in the third quarter. Treatment and refining charges remained extremely depressed, however, as a result of the tightness on the concentrates market, with Indian and Chinese smelters still relying on their protective environment to settle very low treatment charges.

The smelting activities at Pirdop fully met expectations in terms of operational performance, and should exceed the planned annual production of 210,000 tonnes of anodes.

Production of cathodes at the Olen refinery was slightly ahead of last year. European demand remained subdued in all sectors, especially in the automotive and building industries. As a result, overall sales of copper wire rod were significantly lower than in the same period of last year. However, sales from the Italian operations were stable and sales of oxygen-free rod continue to grow. Sales of cast products were in line with the third quarter of 2002.

The carve-out of Umicore's copper activities in a fully owned subsidiary will be completed by year end.

CORPORATE AND INVESTMENTS

Traxys

The new marketing and trading joint venture with Arcelor has got off to a positive start. The integration of the various elements in the venture has progressed rapidly.

Research, Development and Innovation

The R&D activities of Umicore have been regrouped to include centralised research and development efforts, the venture unit (formerly part of Advanced Materials), the Umanage innovation unit and Fuel Cells (formerly part of PMG).

In Fuel Cells, sampling and qualification activities at Umicore's main customers accelerated during the third quarter. Umicore also acquired patents relating to catalysis and nano-technology from the Max Planck Institute in Germany.

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Other

In September Umicore announced its intention to stop the activities of its engineering division, Umicore Engineering, by year-end. The Group's net result for 2003 will include any non-recurring restructuring charges relating to this and also charges that have been, or will be, incurred concerning the integration of PMG and the restructuring at the Olen plant.

OUTLOOK

Given the contribution of PMG, the positive evolution in Advanced Materials and the improvement in the zinc price in recent weeks, Umicore now expects that full year EBIT will reach approximately €130 million, including an expected contribution from the former PMG activities in excess of €30 million (from 1 August 2003). Net after tax earnings before exceptional items will exceed €80 million.

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Forward looking statements

This press release contains forward-looking information that involves risks and uncertainties, including statements about Umicore's plans, objectives, expectations and intentions. Readers are cautioned that forward-looking statements include known and unknown risks and are subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Umicore. Should one or more of these risks, uncertainties or contingencies materialize, or should any underlying assumptions prove incorrect, actual results could vary materially from those anticipated, expected, estimated or projected. As a result, neither Umicore nor any other person assumes any responsibility for the accuracy of these forward-looking statements.

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PROFILE

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

Umicore focuses on application areas where it knows its expertise in materials science, chemistry 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 Umicore Group has industrial operations on all continents and serves a global customer base; it generated a turnover of EUR 3.2 billion in 2002 and currently employs some 12,500 people.

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