

Press release

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Adoption of IAS 39

In line with the introduction schedule for IFRS accounting standards, Umicore will be adopting IAS 39 regarding the use of financial instruments for its 2005 financial statements. The application of this standard will affect the accounting treatment of Umicore's transactional hedging operations.

Umicore uses transactional hedging to protect itself against fluctuations in currency and commodity prices between the time a contract is fixed with a customer or supplier and the time that the contract is settled. Umicore's transactional hedging system has proven to be perfectly sound and effective. This hedging model can, however, not be aligned with the extensive requirements imposed by IAS 39 on transactional hedges without resulting in adverse economic consequences or unreasonable transaction and documentation costs. Therefore Umicore has opted to apply hedge accounting as defined under IAS 39 for its cash-flow hedges but not for transactional hedges.

So far, the accounting treatment for transactional hedging was that both the hedging instrument and the hedged item were measured at fair value at the balance sheet date. In the absence of hedge accounting, hedging instruments will continue to be measured at fair value while most of the hedged items will have to be kept at cost. Therefore, the new accounting treatment induces timing differences in revenue recognition and, hence, induces an element of non-cash volatility in the income statement. Umicore's management considers this volatility to be artificial and unhelpful to a clear understanding of its true financial performance.

The effect of the volatility will be included in Group-level EBIT figures. For 2005 there will be a negative EBIT impact in the order of €10 million (or €6.5 million after tax).

Because such volatility is going to have unpredictable positive or negative effects on the income statement every year, Umicore has elected to exclude such effects from its definition of recurring EBIT in order to preserve the readability of the true financial performance of the business and facilitate comparability between one period and another. Umicore's recurring EBIT guidance for 2005 is therefore not affected by this development.

Umicore will continue to evaluate which system changes could be implemented in order to reduce the volatility whilst at the same time not incurring unreasonable costs.

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PROFILE

Umicore is a specialty materials group. Its activities are centered on four business areas: Advanced Materials, Precious Metals Products and Catalysts, Precious Metals Services and Zinc Specialties. 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 new technological developments. Umicore's overriding goal of sustainable value creation is based on this ambition to develop, produce and recycle materials 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 5.7 billion in 2004 and currently employs some 13,000 people.