

PRESS RELEASE

27 October 2006

THIRD QUARTER UPDATE

Overview

Umicore's businesses recorded another strong performance in the third quarter as many of trends seen in the first half continued. Advanced Materials was driven mainly by continued growth in both the rechargeable batteries and the germanium businesses. Precious Metals Products and Catalysts remained largely stable year-on-year while the revenue growth in Precious Metals Services continued at the same exceptional strong pace as in the first half. The revenues of Zinc Specialties were lower as a result of lower production, but benefited from higher realised prices.

Umicore has completed the preparatory study of the carve-out of its Zinc Alloys activities. It is now planning the incorporation of its Belgian and French Zinc Alloys activities into separate, 100% owned entities before the end of 2006. This will allow Umicore the flexibility to start evaluating strategic alternatives for this business as from 2007.

Outlook

Due mainly to the continued outstanding performance in Precious Metals Services, Umicore now expects recurring EBIT for 2006 to be at the top end of the previously announced range of €300 million to €325 million.

All comparisons made are with the third quarter of 2005, unless otherwise stated.

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Advanced Materials

Business group revenues were up by 6%.

Specialty Oxides and Chemicals

In **Rechargeable Batteries** sales volumes of lithium cobaltite for use in Li-ion batteries increased significantly year-on-year. Although the overall picture was positive, the higher price of raw materials such as lithium carbonate and cobalt had a negative impact on margins. The higher cobalt price should on the other hand speed up the adoption of Umicore's low-cobalt containing CellcoreMX[®] product line by battery producers. In **Ceramics and Chemicals** sales were slightly lower in the plating and catalyst product areas. The business was able to offset this to some extent through its recycling and distribution services.

Engineered Metal Powders

Tool Materials' sales volumes of cobalt powders were higher than the equivalent period in 2005. In the hard metal segment, volumes increased steadily. In diamond tools, the demand from the Korean tool industry picked up after a slow start to the year. Margins remained under pressure in both segments. In **Primary Batteries**, sales volumes were lower year-on-year due to the move to focus production on the new generation of high-performance zinc powders. European battery producers are experiencing more competition from Chinese manufacturers.

Electro-Optic Materials

Sales volumes of germanium **Substrates** were well above the levels of 2005 for both satellite and LED applications and showed continued improvement on the first half. Projects using germanium substrates in terrestrial photovoltaics are showing promise. One ongoing project in the United States has a 10 megawatts capacity offering the ability to deliver power to 4,000 homes. In **Optics**, sales of germanium blanks continued to grow, with deliveries well above the levels of 2005. The finished optics business performed well and sales of GASIR[®] continued to grow in both automotive and other applications.

Element Six Abrasives

Sales volumes of synthetic diamond grit improved year-on-year. PCD (polycrystalline diamond) cutters for drilling applications continued to grow well, driven by the demand in the oil-drilling sector. PCD is also gradually substituting carbide cutters, because of its superior durability. Sales of PCD products for cutting tool applications were flat.

Precious Metals Products & Catalysts

Business group revenues were up by 3%.

Automotive Catalysts

Global automotive production was up by 3% in the third quarter compared to the previous year. This growth was driven primarily by increased production in China (+14%). Other Asian countries and South America also recorded strong production growth. In Europe, production grew modestly (+2%), while in North America it fell by some 7%. In this context Umicore's business continued to generate good volume growth, particularly in Asia. The second production line in the Suzhou facility (China) became operational at the beginning of the third quarter.

In October, Umicore and its joint venture partners decided to close the ICT facility at Calvert City in Kentucky during the course of the coming months. Production will be re-located to Umicore's Burlington (Canada) and ICT's Himeji (Japan) plant. This move will give ICT Inc. access to the newest generation process technology. There will be no effect on the level of service to ICT customers. Closure costs will be assumed by ICT which will have a non-recurring impact on Umicore's 2006 EBIT of some €3.5 million.

Technical Materials

The sales growth at **BrazeTec** accelerated in the third quarter in both metallurgical and advanced chemical brazing products. **Contact Materials** saw a stronger seasonal dip compared to 2005. In **Electronic Packaging Materials** the positive trends of the first half continued and sales of die-attach pastes were particularly strong. Revenues for the **Platinum Engineered Materials** business were lower. However the underlying business remains strong, the project-related nature of the activity skewing quarterly comparisons. Sales of platinum gauzes were flat year-on-year.

Jewellery & Electroplating

Jewellery and Industrial Metals recorded good sales volumes of gold and platinum alloys in Europe. Sales of silver coin blanks to the German market continued to trail those of the previous year. The jewellery recycling activities performed well. The **Electroplating** business line recorded further improvements particularly in sales of products for electronics (electroplating of printed circuit boards) and electrical applications. Sales of products for jewellery and decorative applications also grew somewhat compared to the levels of the previous year.

Precious Metals Chemistry

Sales volumes and revenues of inorganic and organo-metallic precious metals products were at similar levels to those of the previous year. The business has identified opportunities to streamline its closed loop business by a closer integration with the Precious Metals Refining operation in Hoboken. This should lead to further efficiency gains for the group in 2007.

Thin Film Products

Revenues for the business improved year-on-year. The increase was largely driven by the **Electronics and Data Storage** business where sales to the microelectronics industry increased significantly. Revenues also improved further in the **Optics and Wear Protection** business. The environment for the **Displays** business was more challenging.

Precious Metals Services

Business group revenues were up by 38%.

Precious Metals Refining

The buoyant metal price environment of the first year half continued to prevail in the third quarter and supported the precious metals recycling operations and results. Supply availability for both industrial by-products and end-of-life materials remains high, allowing for improved concentration of higher quality material in the feed for the refining operation. Electronic scrap and spent catalysts continued to grow in importance in the smelter supply stream (expressed in refining charges). The supply of industrial by-products from other precious metals refiners was particularly high this quarter.

Commercial terms improved versus the equivalent period in 2005 as the increased availability of raw materials contrasted with the limited treatment capacity in the recycling market. The high levels of metal prices helped the outstanding performance of the business. In line with the first half, quarterly revenues were at a significantly higher level than the previous year.

The Hoboken smelter is scheduled to be shut down for maintenance in February 2007. By that time the smelter will have been operating continuously for a period of 15 months – a new record.

Precious Metals Management

The steep rise in precious metals prices in the second quarter was corrected to some extent, particularly in September, as investors took profits. The price for rhodium, however, was stable during the summer months but started to rise again towards the end of the quarter, driven by industrial demand for the metal. Increased price volatility in September compensated for slower trading operations in July and August. Leasing and sales activities performed at similar levels to the previous year. In this environment the unit again achieved outstanding results.

Zinc Specialties

Business group revenues were down by 6%.

Zinc Alloys

Third quarter zinc production volumes were down by 27%, due to the closure late 2005 of a part of the zinc refining operations and due to various production related issues in the third quarter. The benefits of a higher received zinc price continue to be tempered by lower treatment charges. More than 50% of Umicore's concentrate requirements (volumes and terms) have been secured for 2007. The **Die-Casting** and **Galvanising** alloys market in Europe continued to see high levels of demand, despite the elevated zinc price, and a lack of primary material. The resulting higher spot premiums benefited the alloys business lines but not to the full extent as Umicore's contracts tend to be on a longer term basis.

Umicore has completed the preparatory study for the carve-out of its Zinc Alloys activity. Hence, it is now planning the incorporation of its Belgian and French Zinc Alloys activities into separate 100% owned entities before the end of 2006. This will allow Umicore the flexibility to concretely start evaluating strategic alternatives for this business as from 2007.

Zinc Chemicals

Overall revenues of the business were well above those of 2005. Increased sales volumes of **Fine Zinc Powders** were driven by the high level of demand for paint-grade products, mainly from Asia. High demand further fuelled the sales premiums for **Zinc Oxides**, but sales volumes decreased slightly. The internal recycling operations benefited from the high zinc price.

Building Products

Revenues were lower than the equivalent period in 2005. Sales volumes for zinc building products slowed after the increase experienced in the first half. As the zinc price remained more stable (albeit at a high level) stocking by customers (in anticipation of even higher zinc prices) seems to have halted. General sales outside the traditional European market continued to grow. Overall, Umicore is strengthening its position as market leader in zinc building products.

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Sales volumes were at substantially higher levels than the third quarter of 2005, although domestic demand for zinc was hampered by the political uncertainty in Thailand during September. The improvements in performance versus 2005 remained in line with those seen in the first half.

Outlook

Due mainly to the continued outstanding performance in Precious Metals Services, Umicore now expects recurring EBIT for 2006 to be at the top end of the previously announced range of €300 million to €325 million.

Publication of 2006 results

Umicore will publish its 2006 financial results on Thursday 15 February 2007.

For more information

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Umicore profile

Umicore is a materials technology group. Its activities are centred 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 €6.6 billion in 2005 and currently employs some 16,000 people.