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# ANNUAL REPORT UMICORE – FISCAL YEAR 2011

**Umicore**
**Broekstraat 31 Rue du Marais**
**1000 Brussels**

To the shareholders,

In accordance with legal and statutory obligations, we hereby report to you on the execution of our appointment for the year ended 31 December 2011 and submit the annual accounts to your approval.

## 1. RESULT AND POSITION OF THE COMPANY

### 1.1. PROFIT AND LOSS STATEMENT

#### 1.1.1. RESULT

For the past year 2011, the annual accounts of the company show a net profit after taxes of 156,153 KEUR versus a profit of 303,720 KEUR in the comparable period 2010. This means an increase of 147,567 KEUR, as detailed below:

| Profit | 31/12/2011 | 31/12/2010 | Delta |
|---|---|---|---|
| Operating result | 158,920 | 125,635 | 33,285 |
| Financial result | 12,976 | -39,559 | 52,535 |
| **Result from the ordinary activities** | **171,896** | **86,076** | **85,820** |
| Exceptional result | -16,938 | 217,573 | -234,511 |
| **Profit before taxes** | **154,958** | **303,649** | **-148,691** |
| Income taxes | 1,195 | 71 | 1,123 |
| **Net profit of the year** | **156,153** | **303,720** | **-147,567** |

#### 1.1.2. OPERATING RESULT

The operating result increased from 125,635 KEUR in fiscal year 2010 to 158,950 KEUR for the period ended 31 December 2011, i.e. an increase of 33,285 KEUR.

Compared to last year, the operating result improved considerably mainly thanks to the performance of the segment Recycling.

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1.1.3. ECONOMIC CONTEXT BY ACTIVITY

A. RECYCLING

Revenues of the segment Recycling increased significantly in 2011 compared to 2010, as a result of higher metal prices, an increase of processed volumes and further improvements in the supply mix. A more efficient treatment of the materials and higher processed volumes contributed as well to the better performance.

Supply of residues from the non-ferrous refining and volumes of by-products from the mining industry was strong and well above the level of 2010. Processed volumes of electronic scrap also increased compared to last year as a result of more effective collection of these materials on the market. Supplies of industrial and automotive spent catalyst slightly decreased.

Rising metal prices contributed to the strong performance. This was the case for most precious metals and also for most specialty metals, in particular selenium and tellurium. Although spot metal prices continued to rise for a number of these metals, these only contributed partially to the segment's results as Umicore secured upfront a significant portion of the metal price component in its earnings and cash flows through long term contracts. The business continues to enter into such contracts, primarily for gold, silver, platinum and palladium.

B. ENERGY MATERIALS

Revenues were well up for this segment. The recurring EBIT remained stable, mainly as a result of the positive results of the Cobalt & Specialty Materials business being offset by lower results for the Electro-optic Materials business unit.

Revenues in Rechargeable Battery materials were well up compared to 2010. Sales volumes increased significantly, which can be largely attributed to the growing demand for cathode material used in electrified vehicles and portable electronics. Given its considerable growth and specific technology and market focus, the business line Rechargeable Battery Materials will become a fully fledged business unit effective in 2012, with its headquarters in South Korea, close to both customers and operations.

The Ceramics & Chemicals business line recorded continued growth. Sales of nickel compounds increased through market share gains. Sales volumes of cobalt compounds also showed a strong increase compared to 2010. The business line continued to benefit from its well established distribution network.

Sales of cobalt powders in the Tool Materials business line reached levels comparable to ones seen in 2010. This activity has been influenced by de-stocking by some customers; however improved product mix and increased operational efficiency led to a higher contribution.

The cobalt and nickel recycling and refining services achieved high production levels during the year. High levels of industrial activity and long term supply contracts led to an increase in the availability of residues and concentrates.

The Electro-optic Materials business performed well in 2011. Sales volumes of germanium substrates were well up compared to previous year due to increased demand from customers in the concentrator photovoltaic sector. Demand from the space markets remained at a high level. Sales volumes for the LED lightning industry decreased slightly following a period of overstocking in the sector. In Optics, government sponsored programs were reduced considerably and as a result demand for germanium blanks decreased significantly, affecting both sales volumes and premiums. The volumes for finished infra-red optics activities were up compared to last year, driven by demand for thermo-graphic cameras and for security and surveillance night vision systems. Sales volumes of germanium tetrachloride were well up and are today mainly fuelled by optical network projects in China. Impairments were booked on some of the assets of the Optics activity in Olen, that following the decision to consolidate the activity at EOM's Quapaw site in the US, the location that is closest to its main customer base.

C. PERFORMANCE MATERIALS

At Zinc Chemicals, sales volumes increased significantly for Fine Zinc Powders, impacted by increased demand for anti-corrosive pigments and improved demand for chemical applications through market share gains. Deliveries of Zinc Oxide products also increased compared to last year, with particular strong demand for chemical applications.

Lower availability of recyclable materials negatively impacted the margins for the recycling activities, influenced by lower activity levels in the galvanizing industry and lower zinc prices.

In Zinc Battery Materials sales volumes decreased compared to the historically high sales volumes which were recorded in 2010.

At Building Products the results improved compared to last year. Sales volumes increased on the Benelux market. The business benefited from the recovering construction industry and growth was the strongest in the private housing market.

D. CORPORATE

Overall corporate costs were at the same level as in 2010.

1.1.4. FINANCIAL RESULT

The financial result rebounded from a 39,559 KEUR loss in 2010 to a 12,976 KEUR profit at the end of FY 2011, or a variance of +52,535 KEUR. This variance is driven by the following factors:

Income from – mainly intercompany - dividends increased from 25,106 KEUR in 2010 to 111,255 KEUR for the year 2011, or an increase of 86,149 KEUR. The increase in dividends 2011 versus 2010 is mainly coming from the fact Umicore Finance Luxembourg did not distribute a dividend in 2010.

The most important dividends received during the year 2011 came from Umicore Finance Luxembourg, Umicore Holding companies in Germany, Umicore France, Umicore Korea, Umicore Specialty Materials Brugge and Rezinal.

Interest charges increased by 33,945 KEUR (97,436 KEUR in 2011, versus 63,491 KEUR in 2010), reflecting mainly higher interest rates triggered by more intercompany financing through long term debt vs. short term debt versus previous year and that next to a modestly overall higher financial debt (see below § 1.2.10)

1.1.5. EXCEPTIONAL RESULT

As reminder, the positive 217,572 KEUR exceptional result of 2010 included an amount of 197,842 KEUR of capital gains realised on the intercompany sale of financial assets by Umicore to Umicore Finance Luxembourg.

The negative 16,938 KEUR exceptional result 2011 concerns, next to some additional income received in the context of arrangements made following the sale of the gold mining concession in Guinea in 1992 (352 KEUR) and the gain on the sale of the subscription rights to participate in Nyrstar's capital increase (393 KEUR), mainly an impairment on the Nyrstar shares (6.10 EUR/share compared to 9.22 EUR/share book value ex subscription right) which gave rise to an exceptional loss of 16,363 KEUR. Additionally, some value adjustments were booked on the portfolio of participations for a total net loss of 1,320 KEUR (see below § 1.2.5).

1.1.6 INCOME TAXES

The positive 1,195 KEUR income tax results mainly relate to R&D tax credits obtained.

1.1.7. APPROPRIATION OF THE RESULT

Taking into account the profit of the year of 156,153 KEUR and the profit carried forward for an amount of 497,503 KEUR, the allocations to and release from the unavailable reserve related to the 2011 movements in the own shares for a total amount of 87,322 KEUR and the interim dividend of 45,344 KEUR paid out in September 2011, the result to be appropriated stands at 520,990 KEUR.

Umicore's Board of Directors will propose to the annual general meeting of shareholders a gross dividend of 1.00 EUR per share, with the pay-out taking into account the interim dividend of 0.40 EUR/share already distributed in September 2011.

## 1.2. BALANCE SHEET

1.2.1. MOVEMENTS OF THE CAPITAL AND SHARE PREMIUM

There were no movements on the capital and share premiums in 2011.

1.2.2. OWN SHARES

The own shares value increased from 158,819 KEUR on 31 December 2010 to 246,141 KEUR on 31 December 2011. The variance of 87,322 KEUR is detailed below:

| Own shares | Number | KEUR |
|---|---|---|
| Balance per 01/01/2011 | 6,476,647 | 158,819 |
| Exercises of options and use of free shares 01/11 - 12/11 | -319,648 | -5,904 |
| Purchases of own shares | 3,086,939 | 93,226 |
| Balance per 31/12/2011 | 9,243,938 | 246,141 |

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1.2.3. INVESTMENTS IN INTANGIBLE ASSETS

Investments in 2011 in intangible assets relate mainly to the capitalisation of Research and Development costs, next to some capitalization of IS projects and the booking of awarded CO2 emission rights.

1.2.4. INVESTMENTS IN FIXED ASSETS

Investments in fixed assets were recorded for a total amount of 53,348 KEUR. The main investments were made at the Hoboken site (36,405 KEUR) and the Olen site (12,994 KEUR).

The construction of the new battery recycling plant in Hoboken was finalised according to plan and the plant started up by mid 2011. Furthermore the announced upgrade and expansion of the sampling facility has started, an investment planned to be fully operational by mid 2013. The resulting increase in capacity and flexibility of the sampling process will enable PMR Hoboken to react even more rapidly to changes in the supply mix.

The main capital expenditures at Olen concern the start of the installation of a new dryer, and the revamping of the demineralisation line at the cobalt plant. In the germanium plant, the most important investments relate to the further upgrade of the clean room for substrates and the modernization of the chlorine installation.

In the plant at Angleur further adaptations were made in order to increase production flexibility and improve ergonomic use. In Vilvoorde investments continued to focus on improving security.

1.2.5. FINANCIAL FIXED ASSETS

Financial assets decreased net by 18,370 KEUR.

Main increases are linked to the capital increase of Umicore Korea (9,251 KEUR) and an investment in the Blue Sky Consortium (280 KEUR).

Decreases are linked to movements in the value of the Nyrstar shares (-26,837 KEUR) with following breakdown: sale of the subscription rights (-9,686 KEUR); capital decrease received (-787 KEUR) and restatement of the Nyrstar shares at closing stock price (-16,363 KEUR) (see above § 1.1.5)

Value adjustments were booked on the following participations: Umicore Argentina, Umicore Specialty Materials Brugge, Umicore Engineering and IEQSA.

1.2.6. INVENTORIES

The total inventories amount to 566,508 KEUR at the end of December 2011 an increase of 159,434 KEUR compared to end 2010, mainly triggered by higher inventory levels at Recycling - PMR Hoboken as a result of high arrivals of raw materials. Some impact as well comes from higher Ag and Au metal prices.

1.2.7. AMOUNTS RECEIVABLE WITHIN ONE YEAR

The amounts receivable within one year increased only slightly from 506.454 KEUR at 31 December 2010 to 508,993 KEUR at the end of December 2011 or an increase of only 2,539 KEUR.

There are higher deposits with Umicore Financial Services and higher trade receivables, offset somewhat by lower VAT receivables.

Despite higher metal prices and higher turnover levels, the trade receivables were basically kept at par.

1.2.8. TREASURY INVESTMENTS

The investments in own shares increased from 158,819 KEUR to 246,141 KEUR: see pt. 1.2.2 own shares.

1.2.9. ENVIRONMENTAL PROVISIONS AND PROVISIONS FOR LIABLILITIES AND CHARGES

Further progress was made towards completing the remediation of the historical pollution of certain Umicore sites in Belgium. While the soil remediation in the nearby residential areas of the Flemish sites has been completed in 2009, remediation actions on the sites themselves and in the wider surroundings were ongoing since 2010 and continued in 2011.

For a more detailed analysis on objectives and main realizations on this topic we refer to the annual report on the consolidated annual accounts.

1.2.10. FINANCIAL DEBT (Long term and short term)

Total financial debt increased by 74,184 KEUR and mainly served to finance increased working capital needs and the acquisitions of own shares.

1.2.11. AMOUNTS PAYABLE WITHIN ONE YEAR (excluding financial debt)

Trade debt increased by 109,507 KEUR mainly at Recycling – PMR Hoboken as a result of the high arrivals of raw materials and increased metal prices mainly Ag and Au.

The other amounts payable contain an amount of 66,454 KEUR related to the proposed final dividend payout of 2011.

## 1.3. PERSONNEL (social balance)

In December 2011 Umicore announced its intention to consolidate the production of its germanium-based optics products at its facility in Quapaw, Oklahoma. It is anticipated that optics production at the Olen site in Belgium would be phased out during the coming 18 months with all production moving to Quapaw.

Umicore has undertaken actions to minimize the impact on its employees at the Olen site. Discussions with the employee representatives are started up, ao regarding a re-employment plan developed in order to secure alternative employment at the Olen or other Umicore sites.

## 2. SUBSEQUENT EVENTS

There are no subsequent events to mention, that could influence the interpretation of the annual accounts as presented.

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## 3. DEVELOPMENT OF THE COMPANY.

In 2011 Umicore continued the implementation of its new strategy Vision 2015, announced in June 2010. Vision 2015 is Umicore's strategy that sets out the economic, social and environmental goals of the company to 2015 and beyond. Key elements driving the Vision 2015 are resource scarcity, increasingly stringent emission control, the drive for renewable energy and the electrification of the automobile. Development efforts will be focussed on those areas offering the possibility for exceptional growth. The organizational structure of the company was adapted as of June 2010 to reflect these growth drivers by introducing four new business groups: Catalysis, Energy Materials, Performance Materials and Recycling. For a broader overview of the Vision 2015 strategy and the particular 2011 achievements, we refer to the annual report on the consolidated annual accounts.

## 4. RESEARCH AND DEVELOPMENT

The strategy and policy on research and development are determined at group level. For a more detailed analysis of the research and development activities we refer to the annual report on the consolidated annual accounts.

## 5. CORPORATE GOVERNANCE STATEMENT

### 5.1. CORPORATE GOVERNANCE CODE

Umicore has adopted the 2009 Belgian Code on Corporate Governance as its reference code.

The English, Dutch and French versions of the Code can be found on the website of the Belgian Corporate Governance Committee (www.corporategovernancecommittee.be).

The Corporate Governance Charter describes in detail the governance structure of the Company, the policies and procedures of the Umicore Group. The Charter is available on the Umicore website (www.umicore.com/governance) and may be obtained on request from Umicore's Group Communications Department.

### 5.2. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Umicore's corporate governance systems and procedures are in line with the 2009 Belgian Code on Corporate Governance with the exception of provisions 5.3./6 and 5/4./5 regarding the minimum number of meetings of the Nomination & Remuneration Committee to be held. The Nomination & Remuneration Committee only held one formal meeting in 2011. In addition and outside the context of formal meetings, all members of the Nomination & Remuneration Committee were actively involved in the selection process that led to the hiring of Mr Ludo Vandervelden as new Chief Financial Officer and the appointment of Mrs Ines Kolmsee as new Board member.

### 5.3. COMPOSITION AND FUNCTIONING OF MANAGEMENT BODIES AND COMMITTEES

#### 5.3.1. General

The Board of Directors is the ultimate decision-making body of Umicore save for those matters reserved to the shareholders by the Belgian Companies Code or by Umicore's articles of association. The Board is assisted in its role by an Audit Committee and a Nomination & Remuneration Committee. The day-to-day management of Umicore has been delegated to the Chief Executive Officer who is also the chairman of the Executive Committee. The Executive Committee is responsible for elaborating the overall strategy of Umicore and for submitting it to the Board for review and approval. It is responsible for implementing such strategy and for ensuring the effective oversight of the business units and corporate functions. The Executive Committee is also responsible for screening the various risks and opportunities that the company might encounter in the short, medium or longer term (see Risk Management section) and for ensuring that systems are in place to address these. The Executive Committee is jointly responsible for defining and applying Umicore's approach to sustainable development.

5.3.2. Shares - shareholders

5.3.2.1. Issued shares – capital structure

At 31 December 2011 there were 120,000,000 Umicore shares in issue. The history of the Umicore capital representation can be found at www.umicore.com/investorrelations/. The following shareholders had declared a participation of 3 % or more as of 31 December 2011:

| | |
|---|---|
| - BlackRock Investment Management (UK) Limited: | 9,966,285 shares (8.33%) |
| - Umicore NV/SA: | 9,243,938 shares (7.70%) |
| - Fidelity International Limited: | 8,103,633 shares (6.75%) |
| - Fidelity Management and Research LLC: | 3,778,809 shares (3.15%) |
| - Ameriprise Financial Inc: | 3,650,564 shares (3.04%) |

On 31 December 2011 Umicore owned 9,243,938 of its own shares representing 7.70 % of its capital. Information concerning the shareholders' authorization for Umicore to buy back its own shares and the status of such buy-backs can be consulted in the Corporate Governance Charter and on Umicore's website respectively.

During the year 297,448 own shares were used in the context of the exercise of employee stock options and 22,200 shares were used for a share grant, of which 2,700 to the Board members and 19,500 to the Executive Committee members.

5.3.2.2. Dividend policy and payment

Umicore's policy is to pay a stable or gradually increasing dividend. There is no fixed pay-out ratio. The dividend is proposed by the Board at the ordinary (or annual) general meeting of shareholders. No dividend will be paid which would endanger the financial stability of the Company.

In 2011 Umicore paid a gross dividend of € 0.80 per share relating to the financial year 2010. This represented an increase of € 0.15 per share compared to the gross dividend in respect of the financial year 2009.

In August 2011 the Board, in line with the Umicore dividend policy, decided to pay an interim dividend, equal to 50 % of the total dividend declared for the previous financial year. As a result a gross interim dividend of € 0.40 per share was paid as from 14 September 2011. On 8 February 2012 the Board decided to propose to shareholders a total gross dividend of € 1.00 per share relating to financial year 2011. If the appropriation of profit proposed to shareholders is approved, the gross pay out of the dividend in May 2012 would therefore amount to € 0.60 per share (i.e. the total dividend less the interim payment).

The System Paying Agent designated for the payment of the 2011 dividend is:

KBC Bank
Havenlaan / Avenue du Port 2
1080 Brussels

5.3.2.3. Shareholders' meetings 2011

According to Umicore's articles of association, the annual shareholders' meeting takes place on the last Tuesday of April at 5 p.m.

In 2011, the annual shareholders' meeting took place on April 26. At this meeting the shareholders approved the standard resolutions regarding the annual accounts, the appropriation of the results and the discharges to the Directors and to the statutory auditor regarding their respective 2010 mandates. In addition the shareholders re-appointed Messrs Uwe-Ernst Bufe, Arnoud de Pret and Jonathan Oppenheimer as Directors for a further three years, and renewed Mr Guy Paquot's mandate as Director for one year. The shareholders furthermore appointed Mrs Ines Kolmsee as a new Director for three years. The annual shareholders' meeting also approved the remuneration of the Board for 2011. Details of the fees paid to the Directors in 2011 are disclosed in the Remuneration Report. Finally the annual shareholders' meeting renewed the mandate of PricewaterhouseCoopers Bedrijfsrevisoren/Réviseurs d'Entreprises BCVBA/SCCRL as statutory auditor for three years.

Also on 26 April 2011 an extraordinary shareholders' meeting approved: 1) the renewal of the authorization conferred to the Board to increase the share capital, now by a maximum amount of € 50,000,000, for a duration of five years, and 2) amendments to the articles of association in implementation of the Laws of 20 December 2010 and 5 April 2011 on the exercise of certain rights of shareholders in listed companies.

5.3.3. The Board of Directors

5.3.3.1. Composition

The Board of Directors, whose members are appointed by the shareholders' meeting resolving by a simple majority of votes without any attendance requirement, must consist of at least six members. Their term of office may normally not exceed four years. In practice, they are elected for a period of three years and may be re-elected.

Directors can be dismissed at any time following a resolution of a shareholders' meeting deciding by a simple majority of the votes cast. There are no attendance requirements for the dismissal of directors. The articles of association provide for the possibility for the Board to appoint Directors in the event of a vacancy. The next general shareholders' meeting must decide on the definitive appointment of the above Director. The new Director completes the term of office of his or her predecessor.

On 31 December 2011, the Board of Directors consisted of ten members: nine non-executive directors and one executive director. On 31 December 2011, five of the ten directors were independent in accordance with the criteria laid down in Article 526ter of the Belgian Companies Code and provision 2.3 of the 2009 Belgian Code on Corporate Governance.

Two (i.e. 20 %) of the ten Board members in function on 31 December 2011 are women. Umicore is committed to reach the minimum representation level imposed by the Belgian Companies Code (as amended by the Law of 28 July 2011) and the recommendations of the Belgian Corporate Governance Committee well within the imposed time frame. Both the Nomination and Remuneration Committee and the Board will in this respect take into account the gender diversity requirement when examining the Board mandate vacancies in the coming years.

The composition of the Board of Directors underwent the following changes in 2011: the mandate of Mr Jean-Luc Dehaene expired at the annual shareholders' meeting held on 26 April 2011 due to the age limit imposed by the Corporate Governance Charter. Mrs Ines Kolmsee was appointed as new, independent Director as of the same date.

5.3.3.2. Meetings and topics

The Board of Directors held seven regular meetings and one extraordinary conference call meeting in 2011. On one occasion the Board also took decisions by unanimous written approval.

Major matters reviewed by the Board in 2011 included:

- Financial performance of the Group;
- Approval of the annual and half-year financial statements;
- Adoption of the statutory and consolidated annual accounts including the result allocation and annual dividend proposal, as well as the statutory and consolidated annual reports;
- Budget;
- Board evaluation (see following section of the Corporate Governance Statement);
- Investment projects;
- Sustainable Development performance;
- Business risk assessment;
- Business updates and technology reviews;
- Mergers & acquisitions and Human Resources review;
- Annual performance review of the Chief Executive Officer and the other members of the Executive Committee in respect of 2010;
- Succession planning at the level of the Board and the Executive Committee, including the appointment of Mr Ludo Vandervelden as new member of the Executive Committee with effect as of 1 October 2011.;
- Distribution of an interim dividend.
- Implementation of the share-buy back authorization;
- Authorisation limits Executive Commitee.

The Board also visited the Umicore battery materials facility in Kobe Port Island and the automotive catalyst facilities in Himeji (both in Japan).

5.3.3.3. Performance review of the Board and its Committees

The Chairman, herein assisted by the Nomination & Remuneration Committee and an external expert, conducted a review of the performance, size and composition of the Board and its Committees in 2011. This performance review included individual interviews of the directors and of the company secretary. The results of this review were the object of an in-depth discussion at the Board meeting of 8 June 2011.

5.3.4. Board Committees

5.3.4.1. Audit Committee

The Audit Committee's composition and the qualifications of its members are fully in line with the requirements of Article 526bis of the Belgian Companies Code and the 2009 Belgian Code on Corporate Governance.

The Audit Committee consists of three non-executive directors, two of them being independent. Mr Klaus Wendel was replaced as Audit Committee member by Mrs Ines Kolmsee with effective date 26 April 2011. Mr Arnoud de Pret, who was already a member of the Audit Committee, became Chairman of this committee with effective date 26 April 2011 also in replacement of Mr Klaus Wendel.

Four Audit Committee meetings were held in 2011. Besides the review of the 2010 accounts and those of the first half of 2011, the Committee also reviewed the following matters: the status of internal control projects, the corporate security officer activity report, the information system roadmap and security, the risk assessment process, and the internal audit activity reports. Furthermore, the Audit Committee conducted a review of its own performance and the fees paid to the statutory auditor.

#### 5.3.4.2. Nomination & Remuneration Committee

The Nomination & Remuneration Committee consists of three members who are all non-executive directors, two of them being independent. It is chaired by the Chairman of the Board.

One formal Nomination & Remuneration Committee meetings was held in 2011. During 2011 the Nomination and Remuneration Committee reviewed the remuneration policy for the Board members, the Board Committees members and Executive Committee members and the rules of the stock grant and option plans offered in 2011 as well as of the variable remuneration scheme for 2011.

The Nomination & Remuneration Committee was actively involved in the appointment of Mrs Ines Kolmsee as new Board member and in the Board performance review. It also assisted the Board in the context of the appointment of Mr Ludo Vandervelden as new member of the Executive Committee and subsequently as new Chief Financial Officer.

### 5.3.5. Executive Committee

#### 5.3.5.1. Composition

The Executive Committee has the form of a “Comité de Direction/Directiecomité” as meant under Article 524bis of the Belgian Companies Code.

The Executive Committee is composed of at least four members. It is chaired by the Chief Executive Officer, who is appointed by the Board of Directors. The members of the Executive Committee are appointed by the Board of Directors upon proposal by the Chief Executive Officer and recommendation of the Nomination & Remuneration Committee.

On 31 December 2011 the Executive Committee consisted of eight members including the Chief Executive Officer.

Mr Ludo Vandervelden was appointed member of the Executive Committee with effective date 1 October 2011 and he became Chief Financial Officer with effective date 1 November 2011 in replacement of Mrs Verluyten, who also resigned as Executive Committee member with effect as of 1 January 2012. Following Mrs Verluyten’s resignation the Executive Committee will consist of seven members from 1 January 2012 onwards.

#### 5.3.5.2. Performance Review

A review of the performance of each Executive Committee member is conducted annually by the Chief Executive Officer and discussed with the Nomination & Remuneration Committee. The results are presented to the Board of Directors and discussed by the Board.

The Board also meets annually in non-executive session (i.e. without the Chief Executive Officer present) to review and discuss the performance of the Chief Executive Officer.

The above performance reviews took place on 9 February 2011.

### 5.4. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

Taking calculated risks is an integral part of the development of any company. Umicore’s Board of Directors is ultimately responsible for assessing the risk profile of the Company within the context of the Company strategy and external factors such as market conditions, competitor positioning, technology developments etc and ensuring that adequate processes are in place to manage these risks. Umicore's management is tasked with successfully exploiting business opportunities whilst at the same time limiting possible business losses. In order to achieve this, Umicore operates a comprehensive risk management system. The aim of this system is to enable the Company to identify risks in a proactive and dynamic way and to manage or mitigate these identified risks to an acceptable level wherever this is possible. Internal control mechanisms exist throughout Umicore to provide the management with reasonable assurance of the Company's ability to achieve its objectives. These controls cover the effectiveness and efficiency of its operations, the reliability of financial processes and reporting, the compliance with laws and regulations, and provide for the mitigation of errors and fraud risks.

### 5.4.1. Risk management process

Each of Umicore's business units operates in an environment which carries specific growth expectations and differing degrees of market and technological uncertainty. Therefore, the primary source of risk identification lies with the business units themselves.

The first step in the risk management process is to enable and channel the identification of the various material risks. Umicore has established a business risk assessment process to be undertaken by each business unit and corporate department. The process requires that all units carry out a risk scan in order to identify all significant risks (financial and non-financial) that might affect the ability of the business unit to meet its objectives as set out in its strategic plans. The process then requires that each of these risks be described in detail in a risk card. Besides the assessment of potential impact and likelihood, the risk card also contains information on the the status of any management or mitigation plan and the ownership thereof.

These risk cards are then fed back to the member of the Executive Committee responsible for that peculiar business area. A consolidated review takes place at the level of the Executive Committee, the outcome of which is presented to the Audit Committee and to the Board of Directors. The Audit Committee, on behalf of the Board of Directors carries out an annual review of the Company's internal control and risk management systems and looks into specific aspects of internal control and risk management on an on-going basis.

Each business unit and corporate department is responsible for the mitigation of its own risks. The Executive Committee, however, intervenes in cases where managing a certain risk is beyond the capacities of a particular business unit. The Executive Committee and the Chief Executive Officer are also responsible in a broader context for identifying and dealing with those risks that affect the broader group such as strategic positioning, funding or macroeconomic risks. A specific monitoring role is given to Umicore Internal Audit department in order to provide oversight for the risk management process.

### 5.4.2. Internal control system

Umicore adopted the COSO framework for its Enterprise Risk Management and has adapted its various controls constituents within its organization and processes. The "Umicore Way"(www.umicore.com/en/aboutUs/umicoreWay/) and the "Code of Conduct" are the cornerstones of the Internal Control environment; together with the concept of management by objectives and through the setting of clear roles and responsibilities they establish the operating framework for the Company.

Specific internal control mechanisms have been developed by business units at their level of operations, while shared operational functions and corporate services provide guidance and set controls for cross-organizational activities. These give rise to specific policies, procedures and charters covering areas such as supply chain management, human resources, information systems, environment, health and safety, legal, corporate security and research and development.

In 2008, Umicore introduced a system of Minimum Internal Control Requirements (MICR) to specifically address the mitigation of financial risks and to enhance the reliability of financial reporting.

Umicore's MICR framework requires all Group entities to comply with a uniform set of internal controls covering 164 control activities in 12 processes and 134 Group control entities. Within the MICR framework specific attention is paid to the segregation of duties and the definition of clear roles and responsibilities. A compliance threshold is established for each control activity with the ultimate goal being to achieve the target compliance level in all Umicore entities.

The process is now embedded and the majority of entities have moved in 2011 from the implementation phase towards the sustainability phase. Priority is given to reach the target control maturity in those processes that are of particular importance to Umicore such as metal hedging and inventory management. MICR compliance is monitored by means of annual self assessments to be signed off by the senior management and their outcome is reported to Group Financial Compliance, which presents an annual consolidated report to the Executive Committee and to the Audit Committee of the Board of Directors. The compliance assessments are also reviewed by the Internal Audit department during its missions.

5.4.3. Risk categorization

Umicore faces risks that in broad terms can be categorized as follows:

**Strategic:** including risks related to macro-economic and financial conditions, technological changes, corporate reputation, political and legislative environment.

**Operational:** including risks related to changing customer demand, supply of raw materials, distribution of products, credit, production, labour relations, human resources, IT infrastructure, occupational health and safety, emission control, impact of current or past activities on the environment, product safety, asset and data security, disaster recovery.

**Financial:** including risks related to treasury, tax, forecasting and budgeting, accuracy and timeliness of reporting, compliance with accounting standards, metal price and currency fluctuation, hedging.

Most industrial companies would normally expect to face a combination of the risks similar to that listed above. It is not the intention to provide exhaustive details on each risk posed to the Company in this report. However, the most noteworthy strategic and operational risks either in their relevance to Umicore and its Vision 2015 targets or in the Company's way of dealing with them have been highlighted below.

5.4.4. Risk descriptions

5.4.4.1. Strategic and operational risks

5.4.4.1.1. Market risk

Umicore has a diverse portfolio of activities serving a number of different market segments and in most of its business has a truly global presence. No one end-user market segment or industry accounts for more than 50 % of Umicore's sales. In terms of overall exposure the main end markets served by Umicore are automotive, consumer electronics and construction. Umicore's business model also focuses on sourcing secondary or end-of-life materials for recycling. In many instances the availability of these materials is dependent on the levels of activity in specific industries or at specific customers where Umicore provides closed-loop recycling services. A diverse portfolio and wide geographical presence help to mitigate the risk of over-exposure to any one particular market.

**Comments on 2011:** Signs of an economic slowdown were observed in Europe and the US in the latter part of 2011 following the sovereign debt crises. Despite this slowdown, the markets served by Umicore were generally supportive throughout the whole of the year.

5.4.4.1.2. Technology risk

Umicore is a materials technology Group with a strong focus on the development of innovative materials and processes. The choice and development of these technologies represents the single biggest opportunity and risk for Umicore. In order to manage this risk and to enhance the effectiveness of technology screening and implementation processes Umicore carries out technology reviews at Executive Committee level every year. All business units are also expected to carry out an annual technology review. The purpose of these technology reviews is to verify the suitability, potential and risks of those technologies that are screened and pursued and to ensure that they are in line with Umicore's strategic vision. In 2009 Umicore adopted a system to track the quality of its research and development efforts. This system is primarily based on a self-assessment tool for the business units and Group R&D.

In terms of organization Umicore's R&D efforts comprise initiatives at both Group and business unit level. The position of Chief Technology Officer (CTO) was created in 2005. with the aim of stimulating the various R&D efforts through the Group, ensuring the alignment of the R&D roadmap with strategic priorities and achieving a balance between current technology needs and longer-term opportunities. Five R&D platforms provide a framework for those elements that have a high degree of relevance across the Group namely Fine Particle Technology, Recycling & Extraction Technology, Scientific and Technical Operations Support, Environment Health and Safety and Analytical Competences. Efforts are also made to promote best practice in knowledge management, information sharing, training and networking throughout the R&D community at Umicore.

To the greatest extent possible, the financial support for the Group's R&D efforts is maintained irrespective of short-term fluctuations in the financial performance of the Group. With regard to intellectual property (IP) risk, a Group IP committee co-ordinates the protection of IP at Group level and promotes best practice in this regard at the level of the business units, which have their own IP committees.

**Comments on 2011:** In 2011 the Executive Committee undertook five dedicated technology reviews in addition to the standard technology reviews that are included in the annual budget and strategic review process for each business unit. These five reviews focused on testing technology for e-vehicles (battery and emission control), heavy duty diesel catalysis, lithium ion battery materials, technology innovation and technology-related project portfolio and performance management.

5.4.4.1.3. Supply risk

Umicore is reliant on supplies of certain metals or metals-containing raw materials in order to manufacture its products. Some of these raw materials are comparatively rare. In order to mitigate the risk of supplies becoming difficult to source Umicore enters into longer-term contracts with its suppliers wherever possible. In some cases the Company holds strategic reserve stocks of certain key raw materials. The Company also attempts to source its materials from a geographically diverse range of locations. Umicore's focus on recycling also means that its supply needs are only partially dependent on supplies of virgin material from mines - a significant proportion of the Company's feed coming from secondary industrial sources or end-of-life materials. Where possible Umicore seeks to partner with customers in a "closed-loop" business model thereby integrating sales and the recycling of the customer's residues in one package. Umicore has developed a Sustainable Procurement Charter that has been designed to drive further improvements in the Company's approach to sustainable procurement and is being rolled out towards Umicore's suppliers.

**Comments on 2011:** Two supply-related issues are worthy of mention. The first concerned the significant price increases for rare earth oxides that are used as ingredients of automotive catalyst formulations. The price increases were the result of a reduction in Chinese export quotas. While Umicore was able to secure physical availability of raw materials, the price increases necessitated negotiations with customers regarding how the higher raw material cost would be incorporated in product prices. By year-end Umicore had successfully negotiated rare earth element price recovery processes with all of its major customers.

In 2011 the Dodd Frank Act was introduced in the United States. Section 1502 of this act requires US-listed companies to declare any sourcing of minerals from the Democratic Republic of Congo (DRC) – specifically tantalum, tin, tungsten and gold. While we do not source conflict minerals and are not ourselves subject to the Dodd Frank Act we are proactively addressing the issue with a number of our customers. We are also monitoring the work that has started through various industry associations such as the Responsible Jewelry Council and London Bullion Market Association to establish an industry-wide approach to the issue of conflict minerals. This work is also guided by the “OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas”.

5.4.4.1.4. Substitution risk

Achieving the best cost-performance balance for materials is a priority for Umicore and its customers. There is always a risk that customers will seek alternative materials to integrate in their products should those of Umicore not provide this optimum balance. The risk is especially present in those businesses producing materials containing expensive metals (especially those with historically volatile pricing characteristics). Umicore actively seeks to pre-empt this search for substitute materials by developing such substitutes itself using less costly materials with lower pricing volatility and where possible without impacting the performance provided for the customer’s product.

**Comments on 2011:** No specific developments took place with regards to substitution risk during 2011.

5.4.4.1.5. Regulatory risk

Like all companies, Umicore is exposed to the evolution of the regulatory environment in the countries or regions within which it does business. It should be noted that Umicore’s businesses stand to benefit from certain regulatory trends, notably those regarding more stringent emission controls for vehicles and enforced recycling of end-of-life products such as electronic goods.

Some environmental legislation does present operational challenges, however. The REACH Directive came into force in the European Union in June 2007 and it introduced the need for new operational procedures regarding the registration, evaluation and authorization of chemical substances. Umicore has created an operational network of REACH managers at business unit level coordinated by a REACH implementation manager.

Umicore has submitted 108 registrations for 95 different substances to the European Chemicals Agency (ECHA) covering 13 European legal entities. The files have been either jointly prepared together with other companies acting in consortia or by Umicore itself. All costs associated with REACH compliance, including the cost of registration, are covered under normal operating expenditures.

**Comments on 2011:** With regards to REACH several of the previously submitted registrations were updated based on newly available data. Two notifications for Process and Product Oriented Research and Development (PPORD) were also submitted. Further progress was made with various consortia with regards to registrations due in 2013 and 2018.

5.4.4.2. Financial risk

As indicated above, Umicore has implemented a specific series of Minimum Internal Control Requirements to mitigate financial risks. The 12 specific areas covered by MICR are: Internal Control Environment, Financial Closing & Reporting, Fixed Assets, Procure-To-Pay, Order-To-Cash, Inventory Management, Hedging, Treasury, Tax, Information Systems Management, Human Resources, Travel & Entertainment. An internal guide - the Umicore Financial Reporting Standard – provides the framework for common understanding of Umicore's accounting policies, application of IFRS, and general reporting practices. Below three of the most salient financial risks have been summarized. A full description of pure financial risks and their management can be found in Note 3 to the 2011 Financial Statements.

5.4.4.2.1. Debt and credit risk

Umicore aims to safeguard the business through sound financial management and by maintaining a strong balance sheet. Although there is no fixed target regarding debt levels the Company aims to maintain an investment grade status at all times. We also seek to maintain a healthy balance between short term and longer term debt and between debt secured at fixed and floating interest rates. Since 2008 Umicore has adopted a monitoring process to screen banks for counterparty risk. Umicore is exposed to the risk of non-payment from any counterparty in relation to sales of goods or other commercial operations. Umicore manages this risk through application of a credit risk policy. Credit insurance is often used to reduce the overall level of risk but in certain businesses no insurance is used. This is primarily in those businesses with a significant level of customer concentration or those with a specific and close relationship with their customers and where the cost of insurance is not deemed justifiable in proportion to the risks involved. Business managers are also encouraged to pay particular attention to the evolution of trade receivables. This is done in the broader context of working capital management and Group efforts to reduce capital employed. The largest part of the variable pay of managers is linked to return on capital employed (ROCE).

5.4.4.2.2. Currency risk

Umicore is exposed to structural, transactional and translational currency risks. Structural currency risk exists where the Company generates more revenues in one currency compared to the costs incurred in that currency. The single biggest sensitivity of this nature exists for the US dollar. Transactional currency exposure is hedged systematically while the Company sometimes engages in structural currency hedges that help secure future cash flows.

Umicore also faces translational currency risks where it consolidates the earnings of subsidiaries not using the Euro as their reporting currency. This risk is typically not hedged.

5.4.4.2.3. Metal price risk

Umicore is exposed to risks relating to the prices of the metals which it processes or recycles. The structural metals-related price risks relate mainly to the impact that metal prices have on surplus metals recovered from materials supplied for treatment. Transactional metals price risks are linked to the exposure to any fluctuations in price between the moment raw materials are purchased (i.e., when the metal is "priced in") and the moment the products are sold (i.e., when the metal is "priced out"). A risk also exists in the Company's permanently tied up metal inventories. This risk is related to the market metal price moving below the carrying value of these inventories. Transactional metal price exposure is hedged systematically while the Company sometimes engages in structural metal price hedges that help secure future cash flows.

5.4.4.2.4. Taxation

The tax charge included in the financial statements is the Group's best estimate of its tax. There is a degree of uncertainty regarding the final tax liability for the period until completion of tax audits by the authorities. The Group's policy is to submit tax returns within the statutory time limits and engage tax authorities to ensure that the Group's tax affairs are as current as possible and that any differences in the interpretation of tax legislation and regulation are resolved as quickly as possible. Given the scale and the international nature of the Group's business, VAT, sales tax and intra-Group transfer pricing are an inherent tax risk as it is for other international businesses. Changes in tax laws or in their application with respect to matters such as transfer pricing, VAT, foreign dividends, R&D tax credits and tax deductions, could increase the Group's effective tax rate and adversely affect its financial results.

**Comments on 2011:** No material changes took place with regards to the nature or management of the financial risks faced by Umicore during 2011.

5.5. RELEVANT INFORMATION IN THE EVENT OF A TAKE-OVER BID

5.5.1. Share transfer restrictions

Umicore’s articles of association do not impose any restriction on the transfer of shares. The Company is furthermore not aware of any restriction imposed by law except in the framework of market abuse regulations.

5.5.2. Securities with special rights

The Company has not issued securities with special rights.

5.5.3. Voting right restrictions

The Company’s articles of association do not contain any restriction on the exercise of voting rights by shareholders, providing the shareholders concerned are admitted to the shareholders’ meeting and their rights are not suspended. The admission rules to shareholders’ meetings are laid down in Article 17 of the articles of association. According to Article 7 of the articles of association the rights attached to shares held by several owners are suspended until one person is appointed as owner vis-à-vis the Company.

To the Board’s best knowledge none of the voting rights attached to the shares issued by the Company were suspended by law on 31 December 2011, save for the 9,243,938 shares held by the Company itself on that date (Article 622 §1 of the Belgian Companies Code).

5.5.4. Employee stock plans where the control rights are not exercised directly by the employees

The Company has not issued such employee stock plans.

5.5.5. Shareholders’ agreements

To the Board’s best knowledge there are no shareholders’ agreements which may result in restrictions on the transfer of securities and/or the exercise of voting rights.

### 5.5.6. Amendments to the Articles of Association

Save for capital increases decided by the Board of Directors within the limits of the authorized capital, only an extraordinary shareholders' meeting is authorized to amend Umicore's articles of association. A shareholders' meeting may only deliberate on amendments to the articles of association – including capital increases or reductions, as well as mergers, de-mergers and a winding-up – if at least 50 % of the subscribed capital is represented. If the above attendance quorum is not reached, a new extraordinary shareholders' meeting must be convened, which will deliberate regardless of the portion of the subscribed capital represented. As a general rule amendments to the articles of association are only adopted if approved by 75 % of the votes cast. The Belgian Companies Code provides for more stringent majority requirements in specific instances, such as the modification of the corporate object or the company form.

The extraordinary shareholders' meeting held on 26 April 2011 amended some provisions of the articles of association in alignment with the Laws of 20 December 2010 and 5 April 2011 relating to the exercise of specific rights of shareholders in listed companies.

### 5.5.7. Authorized capital – buy-back of shares

The Company's share capital may be increased following a decision of the Board within the limits of the so-called "authorized capital". The authorization must be granted by an extraordinary shareholders' meeting; it is limited in time and amount and is subject to specific justification and purpose requirements. The extraordinary shareholders' meeting held on 26 April 2011 (resolutions published on 10 June 2011) has authorized the Board to increase the Company's share capital in one or more times by a maximum amount of € 50,000,000. Up until 31 December 2011 this authorization had not been used. It will lapse on 9 June 2016.

Following a resolution of the extraordinary shareholders' meeting held on 29 October 2010 the Board is authorized to acquire own Company shares on a regulated market within a limit of 10 % of the subscribed capital, at a price per share comprised between € 4.00 and € 75.00 and for a duration of 18 months which will lapse on 28 April 2012. The same authorization was also granted to the Company's subsidiaries. In implementation of the above authorization the Company purchased a total of 3,086,939 own shares on the NYSE Euronext Brussels stock exchange between 16 August 2011 and 31 December 2011. The Board will propose to the extraordinary shareholders' meeting of 21 March 2012 or, in the event that the legal presence quorum will not be met, 24 April 2012 to renew this authorization.

### 5.5.8. Agreements between the Company and its Board members or employees providing for compensation if they resign, or are made redundant without valid reason, or if their employment ceases because of a take-over-bid

All the senior vice-presidents of the Group are entitled to a compensation equivalent to 36 months base salary in the event of a dismissal within twelve months of a change of control of the Company. As far as the members of the Executive Committee are concerned, reference is made to the Remuneration Report.

## 5.6. REMUNERATION REPORT

### 5.6.1. Board of Director's remuneration

#### 5.6.1.1 Remuneration policy for the Board of Directors

As a principle the remuneration of the non-executive members of the Board should be sufficient to attract, retain and motivate individuals who have the profile determined by the Board. The remuneration level should take into account the responsibilities and the commitment of the Board members. On the basis of the recommendation made by the Nomination & Remuneration Committee as to the form and structure of remuneration, the Board of Directors adopts the policy for remuneration of the non-executive Directors. In addition to this principle, the Nomination & Remuneration Committee bases its proposals on a review of prevailing market conditions for quoted companies which are part of the BEL 20 index as well as other European companies of similar size acting in the Chemicals, Metals and Materials sectors. The results of the survey are discussed within the Nomination & Remuneration Committee and the Board determines the remuneration for non-executive Directors and Board Committee's members to be proposed to the annual shareholders' meeting.

##### 5.6.1.1.2. Non-executive directors' remuneration

A survey conducted in early 2011 among a benchmark group of companies having a market capitalization of between € 4 and € 6 billion showed that Umicore Board fees are low in comparison to the benchmark. The Board therefore proposed to the shareholders to add an annual grant of restricted shares to the current fee structure starting in 2011. This motion was approved by the annual shareholders' meeting held on 26 April 2011. The grant amounts to 300 shares per non-executive Board member (as the case may be, calculated on a pro rata temporis basis). The shares are subject to a three year lock-up.

Moreover, based on a proposal of the Board following a recommendation of the Nomination and Remuneration Committee, the annual shareholders' meeting of 26 April 2011 approved the following changes to Board and Committee fees:

The Chairman of the Audit Committee receives a fixed fee of € 10,000 per year compared to no fixed fee in 2010. The fee per attended meeting is reduced from € 6,000 to € 5,000. The other members of the Audit Committee receive a fixed fee of € 5,000 compared to no fixed fee in 2010. Their fee per attended meeting amounts to € 3,000 compared to € 4,000 in 2010.

The Nomination & Remuneration Committee Chairman receives a fee of € 5,000 per meeting compared to € 4,000 in 2010.

The remuneration of the non-executive Board members was as follows in 2011:

- **Chairman:** annual fixed fee: € 40,000 + € 5,000 per meeting attended + 300 shares.
- **Director:** annual fixed fee: € 20,000 + € 2,500 per meeting attended + 300 shares.

The remuneration of the Board Committee members was the following in 2011:

**Audit Committee**

- **Chairman:** annual fixed fee: € 10,000 + € 5,000 per meeting attended.
- **Member:** annual fixed fee: € 5,000 + € 3,000 per meeting attended.

**Nomination and Remuneration Committee**

- **Chairman:** € 5,000 per meeting attended.
- **Member:** € 3,000 per meeting attended.

## 5.6.2. CEO and Executive Committee remuneration

### 5.6.2.1. Remuneration policy for the CEO and the Executive Committee

The Nomination & Remuneration Committee defines the remuneration policy principles for the CEO and Executive Committee members and submits them to the Board of Directors for approval. It strives to have a fixed remuneration to reflect the level of responsibility and in line with average market practices, as well as an attractive variable remuneration to reward the performance of the company against financial and sustainability criteria.

The compensation & benefits package for the CEO and Executive Committee members includes the following components: fixed remuneration, variable remuneration (cash bonus), share based incentives subject to a lock-up period (share grant and incentive stock option plans), pension plans and other benefits.

The remuneration of the CEO and Executive Committee members is reviewed on an annual basis by the Nomination & Remuneration Committee. A survey is conducted every year to assess the competitiveness of the remuneration packages. Umicore benchmarks the total direct remuneration of the Executive Committee members against BEL 20 companies and European peer companies.

Anticipating the changes in Belgian Corporate Governance law relating to variable remuneration of the Executive Committee members, the Board of Directors approved on 10 February 2010 a new cash bonus policy for the Executive Committee, to apply as from the reference year 2010. The new policy is in line with the Belgian law of 6 April 2010, which amongst others makes it mandatory to defer half of the bonus payments to Executive Committee members and to connect the payment to multi-year targets or criteria.

### 5.6.2.2. CEO’s compensation and benefits

#### 5.6.2.2.1. Fixed remuneration

The CEO received a fixed remuneration of € 520,000 in 2011.

#### 5.6.2.2.2. Variable remuneration scheme (cash bonus) and evaluation criteria

The CEO’s annual cash bonus can range from 0% to 100% of the annual fixed remuneration of the reference year, half of which relates to an undeferred pay-out based on the annual individual performance including the annual overall financial performance of the Group, the progress achieved against Group strategic and sustainable development objectives, and adherence to the values of the Group.

The other half of the bonus, for which the pay-out is deferred, is based on the Umicore Group profitability criterion, i.e. the Return on Capital Employed (ROCE), published in the annual report. The deferred pay-out is assessed over a multi-year timespan, with half of it paid after a period of two years based on the two years average ROCE. The other half is paid after a period of three years using as a reference the three years average ROCE. The ROCE range is set between 7.5 % (= score of 0%) and a maximum of 17.5 % (= score of 100%). When the achieved ROCE percentage falls between any of the above targets, the score will be pro-rated. The score will be applied on the relevant target i.e. a quarter of the annual fixed remuneration of the reference year for each deferred pay-out year.

The cash bonus may be converted partly or totally into Umicore shares at the discretion of the CEO.

There is no claw back provision.

At the beginning of every reference year the individual objectives are discussed during a session of the Nomination & Remuneration Committee. During a Board session they are presented by the Chairman, discussed and approved by the Board.

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The annual performance of the CEO is assessed by the Nomination & Remuneration Committee and the results of this assessment are presented by the Chairman and discussed during a Board session where the CEO is not present.

In 2012 the CEO will receive a cash bonus totaling € 255,000. This represents the undeferred individual component of his 2011 bonus.

In addition to the undeferred individual 2011 bonus, the CEO will also receive in 2012 the first half of his deferred Group bonus for the reference year 2010 based on the two years average ROCE for the reference years 2010 and 2011. The Group ROCE reference year 2010 amounts to 17.5% and for the reference year 2011 to 18.6%. Therefore the first half deferred Group bonus for the reference year 2010 amounts to € 125,000 based on his annual fixed remuneration of € 500,000 for the reference year 2010.

5.6.2.2.3. Share-based incentives (stock options and share grant)

Umicore shares are granted to the CEO at the discretion of the Board of Directors in recognition of services rendered in the previous year. The number of shares granted to the CEO in 2012 for services rendered in 2011 was 3,000 with a price at grant of € 36.00 per share and a total value at grant of € 108,000. The grant was decided by the Board of Directors on 8 February 2012 and the shares are subjected to a three year lock-up.

In 2011, 90,000 stock options were granted to the CEO as part of the Umicore Incentive Stock Option Plan 2011, implemented by the Board of Directors on 9 February 2011. These options have a strike price of € 38.07 and had a notional value (calculated on the basis of the Present Economic Value model) at grant of € 997,200. The options can be exercised from 1 March 2014 until 13 February 2018. Stock options allow the beneficiary to acquire a specific number of Umicore shares at a fixed price (the exercise price) within a specific period of time. Stock options are not linked to individual or business performance criteria and as such should not be considered as a variable remuneration as meant under the Belgian Corporate Governance law of 6 April 2010.

5.6.2.2.4. Pension and other benefits

Pensions include both defined contribution plans and the service cost of defined benefit plans. Other benefits are representation allowance, benefits in kind (Company car), and insurance.

5.6.2.3. Executive Committee member’s compensation and benefits

5.6.2.3.1. Fixed remuneration

The fixed remuneration can be different for each Executive Committee member and depends on criteria such as experience. In aggregate in 2011 the Executive Committee (excluding the CEO) received € 2,005,260 in fixed remuneration.

5.6.2.3.2. Variable remuneration scheme (cash bonus) and evaluation criteria

Umicore has adopted a variable remuneration scheme in the form of a cash bonus which aims to ensure that all Executive Committee members are rewarded in line with their annual individual performance as well as the overall performance of the Umicore Group.
All the members of the Executive Committee will be eligible for the same gross bonus potential for the reference year 2011, in a range from € 0 to € 280,000. Half of the bonus involves an undeferred pay-out, based on the annual individual performance (including adherence to the values of the Group, environmental and social performance).

The other half of the bonus, involving a deferred pay-out, is based on the Umicore Group ROCE profitability criterion, i.e. the Return on Capital Employed (ROCE), published in the annual report. The deferred pay-out is assessed over a multi-year timespan, with half of it paid after a period of two years, using the two years average ROCE as the reference. The other half is paid after a period of three years based on the three years average ROCE. The ROCE range is set between 7.5% (= score of 0%) and a maximum of 17.5% (= score of 100%). When the achieved ROCE percentage falls between any of the above targets, the score will be pro-rated. The score will be applied to the target bonus of € 70,000 for each deferred pay-out year.

There is no claw back provision.

At the beginning of every reference year the annual individual objectives of each Executive Committee member are fixed by the CEO on basis of their areas of responsibility. The annual individual objectives are specific, measurable, agreed, realistic, time bound and take into account the group's sustainability objectives.

The annual performance of each Executive Committee member is initially assessed by the CEO. The results of the assessments and the corresponding score, varying from 0% to 100%, are presented by the CEO to the Nomination & Remuneration Committee before approval by the Board. The approved score will be applied to the target bonus of € 140,000 for each Executive Committee member.

In 2012 the Executive Committee members will receive aggregate cash bonuses totaling € 655,000 in respect to the undeferred individual component of their 2011 bonuses.

In addition to their undeferred individual 2011 bonus, the Executive Committee members will also receive in 2012 the first half of their deferred Group bonus for the reference year 2010 based on the two years average ROCE for the reference years 2010 and 2011. The Group ROCE reference year 2010 amounts to 17.5% and for the reference year 2011 to 18.6%. Therefore the first half deferred Group bonus for the reference year 2010 amounts to € 70,000 for each Executive Committee member. In case of incomplete reference year 2010, a pro-rata is applied. In aggregate the first half of the deferred Group bonus for the reference year 2010 granted to the Executive Committee members amounts to € 385,000.

5.6.2.3.3. Share-based incentives (stock options and share grant)

Umicore shares are granted to the Executive Committee members at the discretion of the Board of Directors in recognition of services rendered in the previous year. The number of shares granted to the Executive Committee in 2012 for services rendered in 2011 was 18,750 (3,000 per member with the exception of Ludo Vandervelden who received 750 shares as he assumed his position as Executive Committee member on 1 October 2011). The total aggregate value at grant was € 676,530. The price at grant was € 36.00 per share with the exception of William Staron and Pascal Reymondet (€ 36.255). The grant was decided by the Board of Directors on 8 February 2012 and the shares are subjected to a three year lock-up.

In 2011, 150,000 stock options (25,000 options per member) were granted to the Executive Committee members as part of the Umicore Incentive Stock Option Plan 2011, implemented by the Board of Directors on 9 February 2011. The options have a strike price of € 38.07 for each Executive Committee members except for Pascal Reymondet who follows the French rules with a strike price of € 39.25. The total notional value at grant (calculated on the basis of the Present Economic Value model) amounted to € 1,662,000. The options can be exercised from 1 March 2014 until 13 February 2018.

5.6.2.3.4. Pension and other benefits

Pensions include both defined contribution plans and the service cost of defined benefit plans. Other benefits include representation allowances, company cars, insurance and expatriation benefits. In relation to the latter, two members of the Executive Committee receive the usual expatriate perquisites in accordance with local market practices. For Martine Verluyten who resigned as Executive Committee member with effect as of 1 January 2012 her pension commitments linked with her employment contract were executed without any additional cost. In aggregate the pension costs of the Executive Committee members amounted to € 436,738 in 2011.

5.6.3. Share and share option ownership and transactions 2011

5.6.3.1. Board of Directors share ownership 2011

| Name | Shares owned at 31/12/2010 | Shares owned at 31/12/2011 |
|---|---|---|
| Thomas Leysen | 1,001,020 | 871,320 |
| Isabelle Bouillot | 0 | 300 |
| Uwe-Ernst Bufe | 0 | 300 |
| Arnoud de Pret | 5,000 | 5,300 |
| Ines Kolmsee | - | 205 |
| Shohei Naito | 0 | 300 |
| Jonathan Oppenheimer | 0 | 300 |
| Guy Paquot | 2,000 | 15,300 |
| Klaus Wendel | 7,125 | 7,425 |
| **Total** | **1,015,145** | **900,750** |

5.6.3.2. Executive Committee share ownership 2011

| Name | Shares owned at 31/12/2010 | Shares owned at 31/12/2011 |
|---|---|---|
| Marc Grynberg | 136,000 | 143,000 |
| Denis Goffaux | 0 | 5,000 |
| Hugo Morel | 24,250 | 27,250 |
| Pascal Reymondet | 11,750 | 14,750 |
| William Staron | 5,250 | 8,250 |
| Marc Van Sande | 18,800 | 21,800 |
| Ludo Vandervelden | - | 50 |
| Martine Verluyten | 15,500 | 20,900 |
| **Total** | **211,550** | **241,000** |

5.6.3.3. Executive Committee share option ownership and transactions 2011

| Name | Options at 31 Dec 2010 | Options granted in 2011 | Number of options exercised | Average exercise price (in €) | Year of grant of options exercised | Number of options forfeited | Options at 31 Dec 2011* |
|---|---|---|---|---|---|---|---|
| Marc Grynberg | 240,000 | 90,000 | 0 | | | 0 | 330,000 |
| Denis Goffaux | 14,000 | 25,000 | 10,500 | 24.52 | 2007/2008/2009 | 0 | 28,500 |
| Hugo Morel | 100,000 | 25,000 | 0 | | | 0 | 125,000 |
| Pascal Reymondet | 87,500 | 25,000 | 12,500 | 26.55 | 2007 | 0 | 100,000 |
| William Staron | 57,500 | 25,000 | 32,500 | 18.62 | 2008/2009 | 0 | 50,000 |
| Marc Van Sande | 100,000 | 25,000 | 35,000 | 17.90 | 2007/2009 | 0 | 90,000 |
| Ludo Vandervelden | - | - | - | - | - | - | - |
| Martine Verluyten | 114,625 | 25,000 | 0 | | | 0 | 139,625 |

5.6.4. Contractual relationships

5.6.4.1. Contract between Umicore and Marc Grynberg, Chief Executive Officer

Taking into account Marc Grynberg's seniority in the Umicore Group, the Board resolved as follows in 2008:

- In case of termination of the contract by Umicore, a total compensation equivalent to 18 months of his annual base salary will be paid.
- A total compensation of three years of annual base salary as minimum indemnity will be paid to the Chief Executive Officer if his function as Chief Executive Officer would be terminated within a 12 month period following a change of control due to a takeover bid (not cumulative with the previous provision).
- It is at the Board of Directors' discretion as to whether the cash bonus would form part of any final indemnity.

5.6.4.2. Contracts between Umicore and Executive Committee members

Following a Board decision taken in 2007, in case the employment of an Executive Committee member should be terminated within twelve months of a change of control of the Company, that member would stand to receive a total compensation equivalent to 36 months' base salary. This applies for all Executive Committee members with the exception of Denis Goffaux whose employment agreement was signed on 1 July 2010 and Ludo Vandervelden whose employment agreement was signed on 1 October 2011.

5.6.4.3. Individual arrangements in case of termination of the contract by Umicore

Denis Goffaux was appointed Chief Technology Officer on 1 July 2010. Taking into account Denis Goffaux's seniority in the Umicore Group a total compensation equivalent to 18 months of his annual base salary will be paid. In line with the Belgian Corporate Governance Law of 6 April 2010, the Nomination & Remuneration Committee recommended this arrangement and this was approved by the Board of Directors on 1 June 2010. It is at the Board of Directors' discretion as to whether the cash bonus would form part of any final indemnity.

The contracts of Hugo Morel and Marc Van Sande were signed before the Belgian Corporate Governance Law of 6 April 2010 came into force. The total compensation is based on age, seniority in the Umicore Group and the total compensation and benefits.

Pascal Reymondet has a German employment agreement. There is no contractual arrangement in case of termination and German law will therefore be applicable.

William Staron has a US employment agreement. There is no contractual arrangement in case of termination and the Umicore US Termination and Severance Policy will therefore be applicable.

Martine Verluyten's employment contract was signed in 2006. The total compensation in case of termination is equivalent to 12 months of total compensation and benefits.

Ludo Vandervelden's employment contract was signed in 2011. In line with the Belgian Corporate Governance Law of 6 April 2010, the total compensation in case of termination is equivalent to 12 months of his annual base salary. It is at the Board of Directors' discretion as to whether the cash bonus would form part of any final indemnity.

5.6.5. Changes to CEO's and Executive Committee members' remuneration since the end of 2011

In order to determine adequate remuneration levels for its CEO and Executive VP's, Umicore conducted end 2011 surveys against the remuneration package of Executive Directors of quoted companies on the BEL 20 index as well as other multinational companies that are comparable to Umicore in terms of size and complexity.

The results of these surveys which were reviewed by the Nomination & Remuneration Committee of 7 February 2012 demonstrated that the positioning of the annual fixed remuneration was at the low end of the range, well below the median, while the total remuneration package was adequately positioned. In particular, the surveys showed that the value of stock options relative to the fixed remuneration was too high in comparison with the market values.

Based on a proposal of the Nomination & Remuneration Committee, the Board of Directors on 8 February 2012 decided to rebalance certain components of the remuneration package while maintaining the value of the total package, and approved the following changes to take effect in January 2012.

5.6.5.1. CEO's remuneration package

The Board of Directors decided to increase the annual fixed remuneration of the CEO to € 660,000 and the maximum bonus target to € 540,000 as from 1 January 2012. In parallel, the number of stock options offered as from 2012 is reduced from 90,000 to 75,000. The other components and rules linked to the remuneration package remain unchanged.

5.6.5.2. Executive Committee Members remuneration package

The Board of Directors decided to adjust the annual fixed remuneration with the cost of living and to convert 7,500 options into a mix of fixed and variable remuneration for each Executive Committee member. Consequently, as from the reference year 2012, all the members of the Executive Committee are eligible for the same gross bonus potential in a range from € 0 to € 300,000 of which half is subject to deferral. Furthermore, as mentioned above, the number of stock options offered as from 2012 to each member of the Executive Committee is reduced from 25,000 to 17,500. The other components and rules linked to the remuneration package remain unchanged.

## 6. BRANCHES

The company has no branches.

## 7. CONTINUITY

The company has no losses carried forward. Article 96.6° of the Companies Code is not applicable.

## 8. RISK MANAGEMENT, UNCERTAINTIES AND FINANCIAL INSTRUMENTS

The objectives and management approach on risk management, uncertainties and financial instruments are valid for the entire group. These policies are explained in extenso in the corporate government statement (above sub 5.4).

## 9. IMPORTANT EVENTS

In December 2011 Umicore announced its intention to consolidate the production of its germanium-based optics products at its facility in Quapaw, Oklahoma (see above § 1.3)

## 10. CONFLICTS OF INTEREST
## Article 523 of the Belgian Companies Code

On 9 February 2011, prior to the Board discussing or taking any decision with respect the CEO's remuneration (including the grant of shares and stock options), Marc Grynberg declared that he had a direct interest of a proprietary nature in the implementation of the decisions to be taken. In accordance with Article 523 of the Companies Code, Marc Grynberg left the room and did not take part in the Board's discussions and voting concerning these decisions.

The above decisions had/will have the following financial consequences:

a) Cash remuneration

The CEO received a fixed remuneration of € 520,000 in 2011. He also received a cash bonus totalling € 240,000 (non-deferred part of the Group bonus for the reference year 2010) in 2011. In 2012 he will furthermore receive the first half deferred Group bonus for the reference year 2010, which amounts to € 125,000 based on his annual fixed remuneration of € 500,000 for the reference year 2010. The second half deferred Group bonus for the reference year 2010 will be paid in 2013 and will be calculated on a target of € 125,000.

b) Grant of shares and stock options

The financial consequences for the company consist of: either, to the extent that the company were to decide to retain the shares it holds today, the financing and opportunity cost of maintaining such shares in its portfolio until the delivery date of the shares granted or the option’s exercise data (as the case may be, as delayed/extended in accordance with the possibility offered under Belgian law) or, to the extent that the company were to decide to sell such shares at a later date, the difference on the date of exercise of the options (as the case may be, as delayed/extended in accordance with the possibility offered under Belgian law) between the exercise price and the market value of the shares that the company would have to buy on that date.

## 11. STATUTORY AUDITOR

The world-wide remuneration for the statutory auditor of Umicore and its affiliated companies totalled 2,600 KEUR, including an amount of 2,100 KEUR for the statutory audit missions (of which 500 KEUR for the audit of the parent company) and 500 KEUR for non-statutory audit services including audit-related and other attestation services (200 KEUR), tax related services (200 KEUR) and other non-audit related services (100 KEUR).

## 12. DISCHARGE

In accordance with legal and statutory requirements, we hereby request to discharge the Directors and statutory auditor for the exercise of their mandate for the accounting year 2011.

The Board of Directors
Brussels, March 16, 2012.