

TRADING UPDATE Q1 2009

Highlights

Umicore experienced a very challenging first quarter with most businesses facing even more difficult conditions than in the fourth quarter 2008. Slow demand in many end markets was exacerbated by de-stocking through the production chain. Overall revenues were down 23% year-on-year and down 9% versus the previous quarter. Net debt at the end of March was reduced by some €110 million, mainly as a result of working capital reductions.

- Advanced Materials revenues were down 26%
- Precious Metals Products and Catalysts revenues were down 29%
- Precious Metals Services revenues were down 9%
- Zinc Specialties revenues were down 18%

All business units continue to adapt their capacities and costs in function of market developments while safeguarding important future growth opportunities.

Investment projects, which include a range of capability expansions, amounted to some €45 million in the first quarter.

Outlook

Visibility remains very limited in practically all end markets. Recurring EBIT for the first half year is not expected to exceed €50 million, due to exceptionally difficult conditions for the Precious Metals Products and Catalysts business, lower earnings in Advanced Materials and reduced supply availability in Precious Metals Services.

Note: All comparisons are made with the first quarter of 2008, unless mentioned otherwise.

ADVANCED MATERIALS

Advanced Materials revenues were down 26% compared to the first quarter of 2008 and down 18% compared to the fourth quarter of 2008. The most significant negative impact was felt in the cobalt-related activities, particularly tooling and rechargeable battery materials.

Cobalt & Specialty Materials

Sales of Li-Ion cathode materials were down significantly year-on-year and compared to the previous quarter. The portable electronics market declined further with a negative impact on battery demand. Customer de-stocking, which exacerbated the effect of lower demand from end-users, appears to have largely run its course, however. Sales of the NMC cathode materials, containing less cobalt and used in lower-end laptops and power applications, were stable. The capacity and capability expansion for new materials in the Korean and Chinese plants, are expected to be operational in the second quarter.

In ceramics and chemicals applications, sales volumes of cobalt and nickel compounds were only slightly lower. Cobalt- and nickel-containing precursors, used in hydro-desulphurisation catalysts, sold well as the oil refining industry has intensified maintenance replacements on its installations. The weak activity levels in the construction and automotive industry caused a severe dip in cobalt powder volumes for tooling applications. The impact on sales was amplified by continued de-stocking at customers.

The rechargeable battery recycling activities continued to attract higher volumes of spent batteries and the offering is being actively promoted with all major players in the automotive and rechargeable battery industries.

Electro-Optic Materials

Sales volumes of germanium substrates were slightly down year-on-year, due to uneven quarterly fluctuations in orders and because the underlying demand for LED applications, which, among other applications, are used in automotive lighting, was weaker. The demand for satellite applications remains solid, however. Sales of germanium products for infrared optics were in line with the high levels of 2008. Germanium tetrachloride sales volumes were down year-on-year due to significantly lower demand from optical fibre manufacturers.

Thin Film Products

As the capacity utilisation in the micro-electronics market has substantially decreased and customers are depleting their inventories, revenues in this market segment were significantly down. Sales of materials for optics were somewhat more resilient as the ophthalmic market is more stable. In large area coatings, revenues were up, as a result of increased sales of rotary ITO targets.

Element Six Abrasives

Sales of abrasive products for oil and drilling applications were down significantly both year-on-year and compared to the previous quarter. While oil drilling activity has been declining since the fall in the oil price in mid 2008, drill bit suppliers only started to de-stock towards the end of the first quarter. In other markets, particularly construction and automotive, de-stocking by customers started earlier, and sales remain at low levels while the supply chain clears. The cemented carbide activity has also faced reduced demand, though not to the same extent. The impact on earnings of low volumes was mitigated somewhat by restructuring measures taken so far.

PRECIOUS METALS PRODUCTS & CATALYSTS

Precious Metals Products and Catalysts revenues were down 29% compared to the first quarter of 2008 and down 12% compared to the last quarter, reflecting the market developments in Automotive Catalysts and Technical Materials primarily.

Automotive Catalysts

The world's automotive industry experienced a period of unprecedented dislocation in the first quarter. Global light duty vehicle production was down by some 20% from the levels of the fourth quarter of 2008 and 36% down year-on-year. Against this background, Umicore's sales volumes fell by similar margins.

Production of light duty vehicles in North America fell by more than 50%. Auto sales fell somewhat less, thereby leading to limited reduction in inventory levels. The market remains in a very difficult situation with US producers and overseas transplant manufacturers being impacted in equal measure.

In Europe, light duty vehicle production fell by 41%. Various schemes which encourage drivers to scrap their old vehicle in return for a cash rebate for purchasing a new car have helped reduce inventory levels, but so far little impact has been felt in terms of car production. Diesel particulate filters continued to be fitted to a greater proportion of light duty diesel vehicles.

Car production in Asia fell by close to 30%. The Chinese market proved the most resilient with sales falling by 3%, while vehicle production in Japan and South Korea fell by 48% and 33% respectively.

Umicore's investments in the various capability improvement programmes have continued.

Catalyst Technologies

Sales of heterogeneous catalysts for automotive applications were well below the levels of the previous year. Sales in most other product categories were also much lower, with sales in Japan being particularly hard-hit. In Fuel Cells, the SolviCore activities secured increased public funding for the on-going research efforts.

Technical Materials

In Contact Materials revenues were down year-on-year, also showing a negative evolution from the fourth quarter of 2008. These reductions were in line with the overall market with major customers in the automotive, electrical and industrial equipment industries selling from inventory and cutting their production, in many instances by more than 40%.

Sales in BrazeTec followed a similar pattern, although there were some signs that customer inventory levels have started to decrease somewhat more rapidly. Sales of products used in HVAC systems started to see a seasonal improvement ahead of the summer months but this was less pronounced than usual.

Platinum Engineered Materials

Sales volumes were down sharply year-on-year, mainly as a result of lower sales of equipment for use in the production of high purity glass. The LCD glass industry experienced a further drop in production in the first quarter with several plants of major producers being idled. This follows on from the slowdown seen in the fourth quarter of 2008. Sales of equipment for optical and technical glass were less negatively affected. Sales of gauzes for catalytic applications were stable with steady demand from the fertilizer industry.

Jewellery & Electroplating

In Jewellery and Industrial Metals, sales of silver products for use in industrial metal applications and coinage increased year-on-year. This was partly the result of an investment completed in 2008 which enabled further improvements to product quality. Sales of gold semi-finished products were lower, particularly for luxury branded jewellery applications. The recycling activities continued to attract high volumes of secondary materials with higher-end residues compensating for the reduced volumes received from the automotive industry. In Electroplating the severe drop in sales experienced in the last quarter of 2008 continued into the first quarter 2009 with sales for both technical and decorative applications falling sharply.

PRECIOUS METALS SERVICES

Precious Metals Services revenues were down 9% year-on-year, but up slightly compared to the previous quarter. The refining supply environment is becoming more difficult and, as anticipated, the market conditions were far less supportive for the Metals Management activities.

Precious Metals Refining

The performance of the precious metals recycling operations was lower than the equivalent period in 2008.. As anticipated, the supply of materials from several key input categories is down year-on-year, particularly for industrial residues where supplies from the zinc industry have become much scarcer as a result of production cuts. The various car-scraping schemes announced by governments, notably in Europe, have had no impact so far on the availability of spent automotive catalysts, the availability of which has deteriorated further. The recycling of electronic scrap and spent industrial catalysts remained at similar levels. Overall availability of by-products is likely to deteriorate further through the course of 2009, thereby affecting recycling revenues. In this environment the longer-term contracts secured in previous periods will provide a limited buffer. Umicore Precious Metals Refining's flexibility in sourcing from such a wide variety of streams should equip it to face this more challenging supply situation better than other, less flexible operators.

Product premiums are also lower as a result of significantly lower demand for materials such as lead, indium, ruthenium and antimony which are used in specific industrial applications. Similarly, demand for sulphuric acid, which is a by-product of the smelting operations, has fallen resulting in further price decreases.

Precious Metals Management

Sales of physical metals were well down due to falling industrial demand. Trading related performance was also much reduced compared to 2008 with lower prices and moderate price volatility in stark contrast to the high prices and wild price swings seen the previous year. Investor demand for gold and silver ingots remained strong.

ZINC SPECIALTIES

Zinc Specialties revenues were down 18% compared to the first quarter of 2008 and down 4% compared to the previous quarter. Lower demand for products was experienced in all activities.

Zinc Chemicals

Sales volumes of fine zinc powders remained low in the face of reduced demand in most applications and exacerbated by continued customer de-stocking. The anti-corrosive paint pigment segment was affected by a further deterioration in the container market and other industrial protection applications, while sales of zinc powders used for electrolysis declined in line with capacity reductions in the zinc smelting industry.

Zinc oxide sales volumes were down year-on-year but stable compared with the previous quarter. Typical applications such as wood protection and the tyre industry continue to feel the negative impacts of lower demand. The recycling activities performed well as a high proportion of the margins had been secured in previous periods. Recycling volumes were affected by reduced availability of secondary materials, however.

Building Products

Sales volumes of zinc building products were significantly down year-on-year with the biggest drop in Germany. The slowdown in deliveries was aggravated by customer de-stocking and the exceptionally cold winter in Europe. Sales of higher value added products, such as pre-weathered materials, held up relatively well as customers in this business segment tend to hold minimal levels of inventory. Overall product premiums held up well, and even increased somewhat for higher value added products.

Zinc Battery Materials

Revenues for the unit were lower year-on-year, but are stabilising compared to the previous quarter, as customer de-stocking seems to have come to an end. The European primary battery market has held up better in the current economic environment relative to other regions.

CORPORATE ITEMS

As previously reported, Umicore entered into an agreement to sell its small Electronic Packaging Materials activity to Heraeus and also completed the divestment of its stake in Duksan Hi Metal Co. Ltd of South Korea. The combined proceeds of these transactions are about €12 million.

On 27 April Umicore held 7,657,397 own shares in treasury (or 6.38%), down from the previously reported number of 8,014,722 shares, as a result of the exercise of stock options in the period.

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, be it in products that are essential to everyday life or those at the cutting edge of new technological developments.

Umicore focuses on application areas where it knows its expertise in materials science, chemistry and metallurgy can make a real difference. Umicore generates approximately 50% of its revenues and spends approximately 80% of its R&D budget in the area of clean technology, such as emission control catalysts, materials for rechargeable batteries and photovoltaics, fuel cells, and precious metals recycling. 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 €9.2 billion (€2.1 billion excluding metal) in 2008 and currently employs some 15,500 people.

A conference call and audio webcast will take place today at 10:00 CET.
Please visit <http://www.investorrelations.umicore.com/en/financialCalendar/confCall20090428.htm>