2005 Report to Shareholders and Society

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What we believe

We believe that materials have been a key element in furthering the progress of mankind, that they are at the core of today's life and will continue to be enablers for future wealth creation.

We believe that metal related materials have a vital role, as they can be efficiently and infinitely recycled, which makes them the basis for sustainable products and services.

We want Umicore to be a leader in providing and creating material based solutions which contribute to improvements in the quality of life.

We are committed to the growth of our business through the competence of our people, excellence in operations and technological innovation.

We recognize that our commitment to financial success must also take into account the broader economic, environmental and social impact of our operations.

We subscribe to the following principles in our pursuit of sustainable development:

- We integrate sustainable development considerations within the corporate decision-making process.
- We implement risk management strategies based on valid data and sound science.
- We seek continual improvement of our environmental performance.
- We actively participate in the management and remediation of risks that are the result of historical operations.
- We facilitate and encourage responsible design, use, re-use, recycling and disposal of our products.
- We engage with our stakeholders and implement effective and transparent communication and independently verified reporting arrangements.
- We strive to be a preferred employer of both current and potential employees.
- We uphold fundamental human rights and respect those rights in conducting the Group's operations throughout the world.

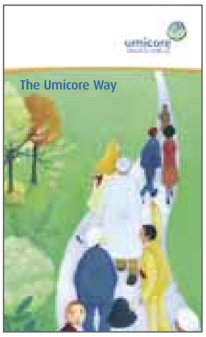
We hold the values of openness, respect, innovation, teamwork and commitment to be crucial to its success. We promote these values and ensure that deficiencies in living up to these values are addressed in an appropriate way.

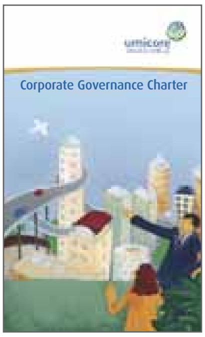
Excerpt from **"The Umicore Way"**

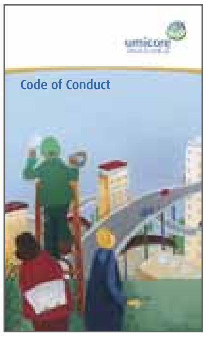
Where we stand

Since 2001 we have been progressing towards sustainable development reporting and this report marks the full integration of economic, environmental and social elements in one comprehensive document. We have decided that it is more in keeping with our sustainable development vision and strategy to combine these elements in one report instead of producing a separate Annual Report and sustainable development report. We have used the Global Reporting Initiative® (GRI) to guide us in determining the scope of information contained in this report.

Our guiding document in terms of formulating our approach to this report comes in the first instance from The Umicore Way. This document sets out the vision of our Group and the values we seek to promote and serves as a reference point for all our employees. Supplementary to The Umicore Way, we have also developed a comprehensive framework for ethical business practice through our Code of Conduct and a document which sets out our management philosophy and governance principles – the Corporate Governance Charter.







Umicore is a member of the World Business Council for Sustainable Development and is a signatory of the United Nations' Partnership Against Corruption Initiative (PACI).

Umicore is part of the FTSE4Good Index, has been awarded a 'best in class' rating by Storebrand Socially Responsible Investments and is also part of the Kempen / SNS Smaller Europe SRI Index.

FTSE4Good Index Series

BEST IN CLASS
environmental and
social performance
STOREBRAND SRI

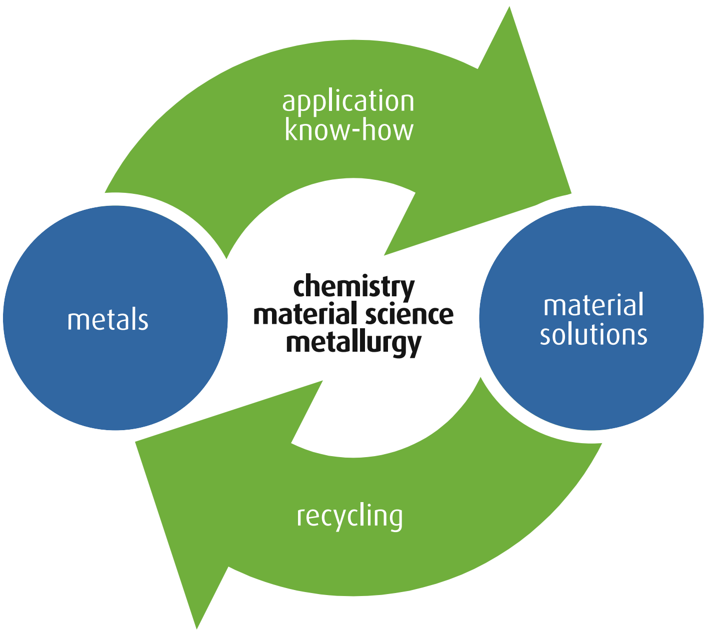
World Business Council for
Sustainable Development

SRI

Who we are

We are a materials technology group. Our activities are centered on four business areas: Advanced Materials, Precious Metals Products and Catalysts, Precious Metals Services and Zinc Specialties. Each business area is divided into market-focused business units.

We focus on application areas where our expertise in materials science, chemistry and metallurgy can make a real difference, be it in products that are essential to everyday life or those at the cutting edge of new technological developments. Our target of sustainable value creation is based on our ambition to develop, produce and recycle materials and offer material solutions, in line with our mission: **materials for a better life.**



the Umicore approach to materials technology

Message to Shareholders and Society

A decisive year

2005 was a decisive year in the 200 year history of our Group. As a consequence of the strategic reorientation of the company, which was carried out in a consistent and systematic way over the last five years, Umicore fully emerged as a respected global materials technology Group, truly committed to sustainable development. We would like to extend our gratitude to our shareholders for their confidence during this period and also to our employees for their efforts in achieving this goal.

The vast majority of our earnings now derive from business where we hold global leadership positions and where we can rely on distinctive technological capabilities. At the same time, the concept of sustainable development has become firmly embedded in our strategic thinking, and is notably exemplified by our commitment to recycling.

The outside world only started to really discover this new Umicore after the demerger of our copper business, an activity in which we had been engaged for almost a century. The strategic logic of separating this business was compelling. Although it had developed into a successful business, it operates under a very different business model than the rest of Umicore. The spin-off of Cumerio not only created a new independent copper company, well positioned to pursue autonomous growth and industry consolidation, but also led to significant value creation for our shareholders.

In 2005 we also moved ahead with a restructuring of our Zinc Specialties business by reducing the smelting capacity at our French installations. Managing the social impact of this decision has been a priority and job losses have been kept to a minimum. We are now examining whether to carve out our zinc smelting and alloying business in a separate subsidiary. This should give us the strategic flexibility to examine all options for the last of our major business which still lacks global scale.

Turning another page, we moved ahead with the remediation of the historical legacy issues. We hope to be able to accelerate the pace of this work further during 2006. The recent public concern over new scientific insights with respect to the health effects of cadmium in the environment underline the urgency to complete this task.

A new reporting framework

This “Report to Shareholders and Society” represents a coming together of the economic and environmental elements of our Group reporting in one document. It also extends our reporting on the social aspects of the company’s operations. In preparing for this step towards sustainable development reporting we have opted to merge these three elements in one report. This combination seems to us to reflect the true spirit of sustainable development.

The audience for the reporting has also changed and is no longer addressed only to shareholders. This is recognition of the fact that the scope of people entitled to information about how we do business goes beyond the boundaries of the investment community.

The reporting process and the information demands of our company's stakeholders are constantly evolving. By broadening the scope of the reporting and providing a more complete framework for the communication of data we hope to have made a meaningful step forward.

In devising and compiling this report we have been inspired by the Global Reporting Initiative (GRI) Guidelines® and have sought, where possible, to provide information that is consistent with these guidelines. In terms of scope, our economic reporting remains largely the same as it has been in recent years. The environmental reporting covers a review of our performance against the environmental objectives that we set ourselves for the period 2000 – 2005; it also introduces a new and more comprehensive set of environmental objectives for the company for 2006 – 2010. In this report we also introduce our first ever set of social indicators against which we will be reporting from 2006.

Prepared for future growth

During the year under review, we continued to prepare the future of our Group energetically. Research and Development spending rose significantly to exceed €110 million. We invested more than €140 million in upgrading our industrial facilities, expanding our capacities where necessary and starting up new product lines. And we reinitiated a targeted acquisition programme to strengthen our various businesses either by extending their geographical reach or their technology base.

The foundations for Umicore as a materials technology Group are now firmly in place. We are now prepared for the next phase in the company's growth and development.

We are hopeful that this report will provide all our stakeholders with a better means to judge whether our operations and the development efforts we undertake are being carried out in a sustainable way.

Thomas Leysen
Chief Executive Officer

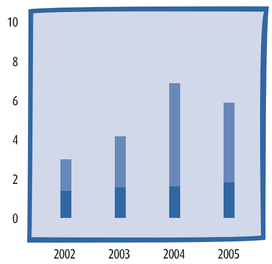
Karel Vinck
Chairman

Key Figures

(in million €)	2002	2003	2004	2005
Turnover	3,160.6	4,677.1	5,685.0	**6,566.5**
Revenues (excluding metal)	1,036.0	1,358.0	1,692.9	**1,725.0**
Recurring EBIT	97.5	145.9	280.3	**232.9**
of which associates	13.0	18.0	31.1	**34.0**
Non-recurring EBIT	(24.8)	(39.4)	(10.8)	**(40.3)**
IAS 39 effect	-	-	-	**(9.1)**
Total EBIT	72.7	106.5	269.5	**183.5**
Recurring EBIT margin %	9.3%	10.7%	14.7%	**11.5%**
Result from discontinued operations	-	-	21.3	**20.8**
Net consolidated profit, Group share - before non-recurring items - without discontinued operations	63.4	89.6	174.3	**151.5**
Net consolidated profit, Group share - with discontinued operations	32.9	60.1	177.9	**142.2**
EBITDA	223.1	277.4	441.4	**389.9**
Capital expenditure	152.7	148.3	142.8	**145.4**
Cash flow before financing	180.6	(527.8)	118.7	**133.1**
Consolidated net financial debt	131.3	619.1	584.4	**514.9**
Net debt / (net debt+equity) - end of period	11.0%	34.2%	31.3%	**33.0%**
Capital employed - end of period	1,347.6	2,071.2	1,769.1	**1,788.4**
Capital employed - average	1,316.0	1,888.7	1,836.1	**1,712.6**
Return on Capital Employed (ROCE) %	6.5%	8.3%	13.1%	**13.6%**
Total shares outstanding - end of period	22,600,000	25,420,175	25,454,875	**25,811,050**
EPS excluding discontinued operations (€/share)				
EPS adjusted - basic	3.07	4.28	7.06	**6.05**
EPS adjusted - diluted	3.07	4.18	6.95	**5.93**
EPS including discontinued operations (€ / share)				
EPS declared - basic	1.45	2.63	7.21	**5.68**
EPS declared - diluted	1.45	2.57	7.09	**5.57**
Workforce - end of period	10,582	14,540	14,026	**14,142**
of which associates	2,244	3,070	4,131	**4,314**

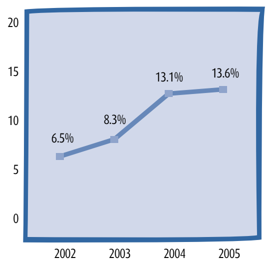
Key economic indicators

EPS & dividend (in €)

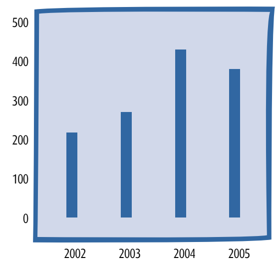


- Gross dividend
- Basic adjusted EPS without discontinued operations

Recurring ROCE

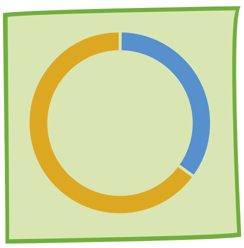


EBITDA (in million €)



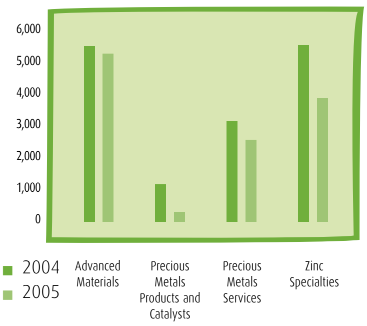
Key environmental indicators

Input of secondary materials (in %)

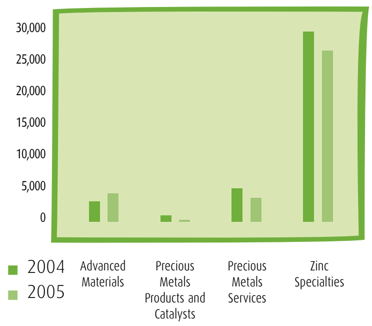


- Total secondary materials input **35%**
- Total primary materials input **65%**

Metals emitted to water (in kg)

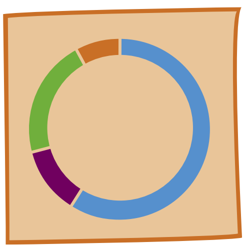


Metals emitted to air (in kg)



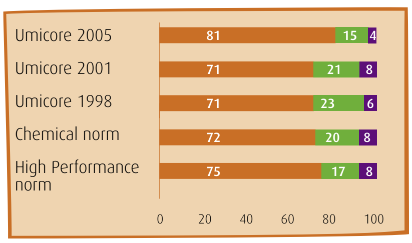
Key social indicators

Geographical spread of Umicore's workforce



- Europe **59%**
- America **12%**
- Asia **21%**
- Africa **8%**

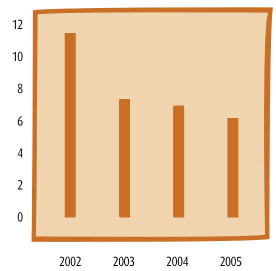
Employee opinion survey



Taking everything into account, how satisfied are you with Umicore as an employer?

- Favourable
- Neutral
- Negative

Accident frequency



One of Umicore's fastest growing businesses in recent years was the rechargeable battery materials activity. Umicore is now a world leader in materials for lithium ion batteries. On this picture, part of the team responsible for this success: Denis Goffaux (General Manager Rechargeable Battery Materials), Dong Joon Ihm (Representative Director, Umicore Korea, Cheonan), HB Lee and KB Kim (Representative Director and Director, Umicore Marketing Services Korea, Seoul)

we grow

Economic Report

Economic and Financial Review

Operational performance

Revenues excluding metal content reached €1.73 billion in 2005, an increase of 1.9% year-on-year, despite a much reduced contribution from the Group's strategic hedges. Excluding hedging effects, underlying revenue growth was approximately 6.5% year-on-year, reflecting strong growth in Precious Metals Services and in most business lines of Precious Metals Products and Catalysts, partly offset by lower revenues in Advanced Materials.

In 2005 the Group's strategic hedges resulted in a received zinc price of €974 per metric tonne and a received dollar exchange rate of USD1.16 per EUR. This contrasts with 2004 when Umicore was able to benefit from currency and metal hedges which had been entered into in 2001 and 2002 at particularly favourable conditions and translated into a received dollar exchange rate of USD 0.96 per EUR and a received zinc price of close to €1,200 per metric tonne.

Recurring EBIT (earnings before interest and tax) reached €232.9 million in 2005, compared to €280.3 million in 2004. The figures for both years exclude the contribution from copper activities and Traxys which were reclassified as discontinued operations. The operating results from fully consolidated companies reached €198.9 million in 2005, compared to €249.2 million in 2004. The main reason behind the reduction in operating results was a lower received zinc price and dollar exchange rate which affected margins in Zinc Specialties.

The operating results of Advanced Materials were, in comparison to the prior year performance, adversely affected by lower deliveries of cobalt oxides and, to a lesser extent, by the lower received US dollar exchange rate. Also, the lower cobalt price meant reduced income from refining operations. Precious Metals Products and Catalysts recorded double-digit growth in revenues and earnings with both Automotive Catalysts and the Precious Metals Products businesses contributing to the improvement. Precious Metals Services posted a significant improvement on 2004, based primarily on better supply conditions and the benefits of higher PGM and specialty metals prices. The full benefits of the restructuring process in Hanau brought further improvements in the comparison with 2004. The Zinc Specialties segment suffered from a much lower received

Contribution to recurring EBIT

(in million €)	2002	2003	2004	2005
Advanced Materials	31.4	50.1	85.4	59.4
Precious Metals Products and Catalysts (1)	-	42.9	122.8	136.1
Precious Metals Services	53.2	45.7	34.0	56.8
Zinc Specialties	17.8	28.4	79.9	24.7
Corporate & Investments	(13.6)	(22.0)	(41.8)	(44.1)
Total (2)	88.8	145.1	280.3	232.9
including Group share in net profit from associates	13.0	18.0	31.1	34.0

(1) In 2003 only 5 months of former PMG activities and 12 months of Thin Film Products (previously in Advanced Materials).
(2) 2002 and 2003 do not include the Copper business group, which was demerged in 2005. The contribution of Copper to overall Group recurring EBIT for 2002 and 2003 amounted to €8.7 million and €0.9 million respectively.

zinc price than in 2004 as a result of the lower protection from the strategic metal and currency hedges. The strong zinc price increase in the second half of the year had a detrimental effect on the Building Products business unit. The restructuring process in the French smelting operations was completed during 2005. The transition to lower production which took place in the second half resulted in a temporary negative effect on segment earnings.

The recurring contribution from associate companies reached €34 million in 2005, up 9% on 2004, mainly reflecting the increased contribution from Padaeng.

Research, Development & Innovation

Research, Development and Innovation spending at Group level in 2005 increased by 15% to €112 million. This was primarily due to increased efforts in heavy duty diesel technology (Automotive Catalysts) and an increased spend at the level of the Group's central R&D efforts. For the first time the full scope of the Element Six Abrasives research effort was included in the Group R&D figures. The research efforts of the fully consolidated Group companies amounted to some €100 million, representing approximately 6% of revenues excluding metal content. These amounts were fully expensed.

The R&D efforts at the level of the business units increased by 5%. The Automotive Catalysts business unit was again a major contributor especially in respect of the stepped-up development efforts in catalysis technology for heavy duty diesel applications. Other major areas of focus at business unit level included rechargeable battery technology, precious-metals-based chemistry, semiconductor materials research and further development of advanced recycling solutions.

In terms of corporate-funded R&D the most significant investment remained the development of fuel cell technology. Expenditure in fuel cells remained at the same levels as 2004. The main focus areas continued to be Direct Methanol Fuel Cell (DMFC) applications and new catalyst materials (mainly for automotive applications). Good progress was made on both fronts in collaboration with leading players in this field. Other research projects during 2005 included the development of rechargeable battery recycling, gas-to-liquid catalysis, solar-grade silicon and nanopowders.

Financial results & taxation

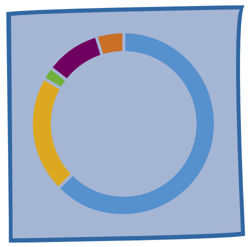
Financial charges totalled €34 million, of which interest charges were €21.8 million. Other charges were mainly related to the actualization of certain non-current liabilities, mainly employee benefit and environmental provisions (€10.7 million), which is of a non-cash nature.

The tax charge for the period amounted to €15.9 million. This includes a non-recurring deferred tax income of €16.6 million related to restructuring charges and a positive deferred tax impact of €2.8 million related to the effect of IAS 39. The recurring tax charge for the period was €35.3 million, corresponding to an overall effective tax rate of 21% on pre-tax consolidated income.

Non-recurring items

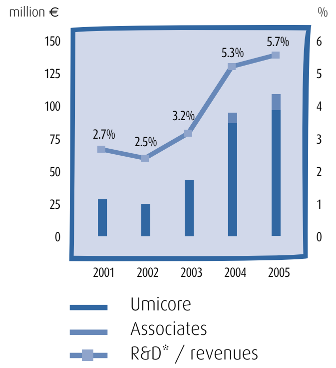
Umicore booked non-recurring charges of €40.3 million or €23.8 million after tax. The majority of this amount relates to the capacity reduction at the Zinc Specialties operations. The other key charge related to the closure of Umicore's cobalt refining operations in South Africa. A write-down which was previously recorded in Precious Metals Services on the value of palladium inventories was written back.

Umicore turnover



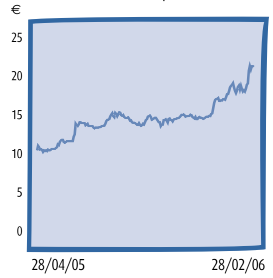
Europe	**63%**
North America	**20%**
South America	**2%**
Asia / Pacific	**10%**
Africa	**5%**

R&D expenditure (in million €)

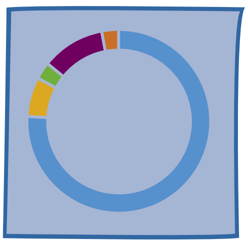


* Only Umicore

Cumerio share price

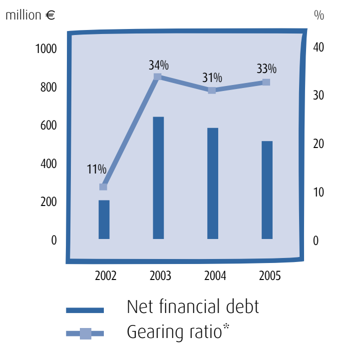


Umicore capital expenditure



Europe	**76%**
North America	**7%**
South America	**3%**
Asia / Pacific	**11%**
Africa	**3%**

Net financial debt (in million €)



* Net debt / (net debt + equity)

Discontinued operations

At the end of April 2005, Umicore demerged its copper activities as a separate listed company called Cumerio. The results of Cumerio were consolidated through the end of April. The effects of the demerger on the financial statements are outlined in note 38 to the financial statements. The Cumerio share price increased by 105% between its inception on 29 April and the end of February 2006. In November Umicore sold 80% of its stake in the marketing and trading venture Traxys. The results of these entities have been separated in the Group figures as discontinued operations for both 2004 and 2005. Their net contribution in 2005, after transaction costs, amounted to €20.8 million, or €0.83 per share.

Net earnings

Net recurring earnings, Group share, for 2005 reached €151.5 million compared to €174.3 million in 2004. This represented earnings per share of €6.05 (€7.06 in 2004). Including non-recurring items and the contribution from discontinued operations, net earnings for 2005 were €142.2 million corresponding to earnings per share of €5.68.

Cash flows and debt

Operating cash flow after tax was €165 million in 2005, a reduction of €80 million on 2004. Working capital requirements increased in the second half as a result of surging metals prices and also customers, notably in the automotive sector, stretching payments past the cut-off date of 31 December. As a result, working capital requirements increased by €77 million.

Capital expenditures reached €145.4 million – a slight increase on the levels of 2004. Overall, the majority of the expenditure took place in Europe, largely as a result of the higher intensity of maintenance requirements in this region. Key non-maintenance items included technology and infrastructure developments in Automotive Catalysts (notably new testing facilities and a plant in Suzhou, China), the new GASIR® production facility in the US, the expansion of the sulphuric acid treatment facility in Precious Metals Refining and new downstream investments in Zinc Specialties.

At 31 December Umicore's net financial debt stood at €515 million. This represented a gearing ratio (debt / debt+equity) of 33%.

Acquisitions

In Advanced Materials a 40% stake was acquired in Todini & Co. a leading distributor of cobalt and nickel products in Italy. In Precious Metals Products and Catalysts, Umicore acquired a minority stake in Reaxa, a UK-based company which develops and markets catalyst products. These investments are both classified as associates and have been accounted for using the equity method. Three acquisitions in China (two in Technical Materials and one in Zinc Alloys) were agreed in principle towards the end of 2005 and finalized in early 2006.

Restructured partnership with De Beers

Umicore and De Beers have simplified the ownership structure of their synthetic diamond joint venture Element Six Abrasives. This stake was previously held as a 50% holding by Umicore's Sibeka subsidiary (in which De Beers had a 20% stake). From 2006 Umicore will hold a direct 40% stake in Element Six Abrasives. This change will reduce the level of contribution to Umicore's EBIT but will result in an equal reduction in minority interests; net results will therefore not be affected.

In the context of this restructuring the scope of activities included within Element Six Abrasives was extended to include marketing and research capabilities, previously fully owned by De Beers.

Cash-flow hedges

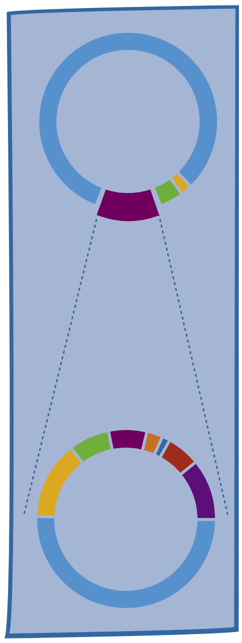
Umicore's received zinc price in 2005 was €974 per tonne. During 2005 Umicore extended its zinc price hedging for 2006 and 2007. At 6 March 2006, most of Umicore's zinc price exposure for 2006 was hedged at an average forward price of €1,125 per tonne with the residual exposure being gradually realized at prevailing market rates. At this date 70% of Umicore's zinc price exposure for 2007 was hedged at an average forward price of €1,465 per tonne, while 80% of the exposure for the first quarter of 2008 had been hedged at an average forward price of €1,635 per tonne. No currency hedging was in place other than relating to metals hedging.

IFRS

Umicore adopted new and revised accounting standards in 2005. These new standards relate to IFRS 2 (the expensing of share based payments), IFRS 3 regarding business combinations which institutes impairment testing for goodwill in lieu of amortization, the amended IAS 19, which provides that changes in actuarial assumptions may be recognized in equity, and IAS 32, which requires that treasury shares be deducted from Group equity. In 2005 Umicore also adopted IAS 39 regarding financial instruments. Under this standard, changes in the fair value of strategic cash flow hedges are recognized in equity. For economic and practical reasons Umicore has opted not to apply hedge accounting for its transactional hedges. In the absence of hedge accounting for such hedges IAS 39 requires that hedging instruments be measured at fair value while most hedged items are kept at cost. This has induced timing differences in revenue recognition and non-cash volatility in the income statement. This volatility resulted in a negative pre-tax impact of €9.1 million. The above changes are detailed in note 3 to the financial statements.

Distribution of economic benefits

Of Umicore's total consolidated turnover of €6.7 billion in 2005 the most significant portion was used to secure raw materials and energy for the company's operations (€5.4 billion). Depreciation and other costs totalled some €430 million. Of the remaining €832 million, by far the most significant portion (€419 million) was paid to employees in the form of salaries. National insurance contributions for employees totalled some €116 million, while pension payments and other benefits totalled €58 million. During 2005, Umicore recorded tax charges of €62 million comprising both corporate income tax and other taxation such as environment taxes. Interest charges paid to creditors totalled €22 million and economic benefits accruing to minority shareholders were €12 million. During 2005 Umicore made charitable donations totalling €0.4 million. The total economic benefits, less the sum of the distributed amounts listed above are equal to Umicore's net consolidated profit, Group share, of €142 million. Umicore's Board of Directors will propose to shareholders a gross dividend of €1.85 per share at the Ordinary General Meeting to be held in Brussels on 26 April 2006. If accepted, this means that some €47 million will be distributed to shareholders during 2006 in the form of dividends and the remainder of the net consolidated profit (€95 million) will be kept by the company in the form of retained earnings.



Breakdown of turnover (1)

Raw materials and energy	**81%**
Depreciation	**2%**
Other costs (net)	**5%**
Economic benefits	**12%**

(1) €6.7 billion including net contribution of associates and discontinued operations

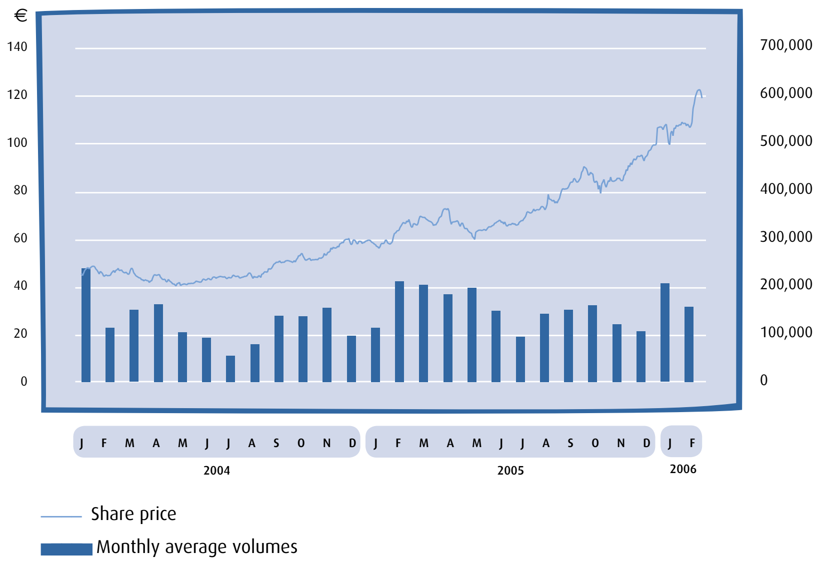
Use of added value

Employee salaries (2)	**50%**
National insurance contributions	**14%**
Pensions and other benefits	**7%**
Taxes	**7%**
Creditors	**3%**
Minority shareholders	**2%**
Shareholders	**6%**
Retained by company	**11%**

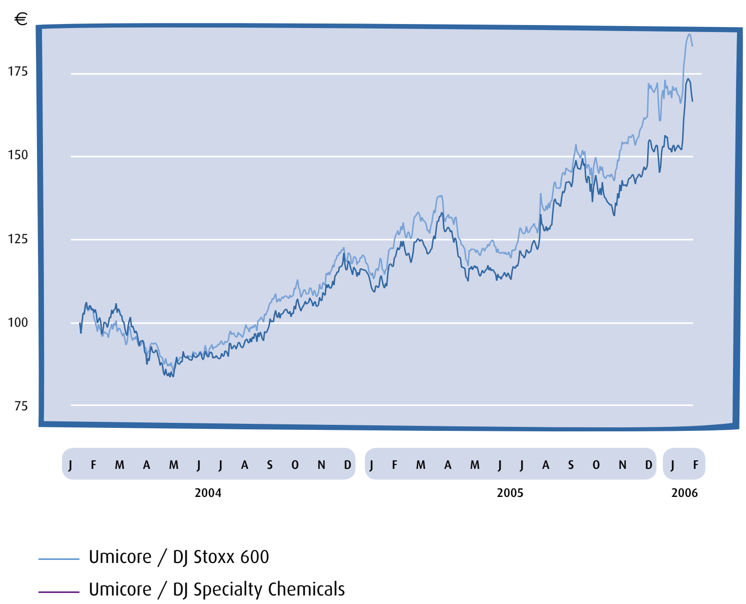
(2) of which Europe 85%
North America 7%
Asia/Pacific 4%
South America 3%
Africa 1%

The Umicore share

Share price and trading volumes



Share price relative performance



Data per share

(in € per share)	2002	2003	2004	2005
Equity, Group share	45.32	49.39	51.95	40.56
Gross dividend (1)	1.40	1.60	1.65	1.85(2)
Share price				
High	51.65	56.95	70.30	99.85(7)
Low	32.60	33.25	47.23	56.54
Close	41.13	55.64	69.25	99.60
Average	43.44	45.61	55.67	74.02
Total number of shares - end of period (3,4,5)	22,600,000	25,420,175	25,454,875	25,811,050
of which registered shares	4,158	4,834	6,223	7,599
Average number of shares - basic EPS	22,600,000	22,865,537	24,692,420(6)	25,035,626
Market capitalization (in € million)	930	1,415	1,763	2,570

(1) For those investors subject to Belgian withholding tax the gross dividend is subject to 25% withholding tax (reduced to 15% on presentation of VVPR strips).

(2) Assumes acceptance by shareholders of the Board of Directors' proposal of a Umicore gross dividend of €1.85 per share.

(3) In 2005 Umicore carried out 7 capital increases. These amounted to a total of 356,175 shares created as a result of the exercise of stock options with linked subscription rights.

(4) In 2004 Umicore carried out two capital increases. These amounted to a total of 34,700 shares created as a result of the exercise of stock options with linked subscription rights.

(5) In 2003 the company carried out three capital increases. These amounted to 2,820,175 shares with VVPR strips. 2,400,000 shares were created as a result of an equity offering in November 2003 while the remainder were created as a result of the conversion of options in the ESOP 1999 plan into ordinary shares.

(6) From 2004, average number of shares excludes treasury shares.

(7) Share prices for 2005 have been restated to take account of the Cumerio demerger in April.

Capital and shareholder structure

(in €)	2002	2003	2004	2005
Capital at 31.12 (in thousands)				
Issued capital	500,000	562,393	563,161	459,679(1)
Shareholder base 31.12 (%)				
Umicore (treasury shares)	8.04%	2.79%	2.87%	2.50%
Schroders	-	-	-	5.16%
Fidelity	-	-	6.06%	4.98%
Parfimmo	-	-	-	3.12%
Merrill Lynch	-	-	-	3.10%
Suez	28.56%	15.68%	0.54%	-
Free float (2)	71.44%	84.32%	100.00%	100.00%

(1) Following demerger of Cumerio and incorporation of share premiums.

(2) Euronext definition.

Advanced Materials

Profile

The Advanced Materials business group produces high-purity metals, alloys, compounds and engineered products for a wide range of applications and is the world leader in cobalt fine powders and compounds and germanium products. Advanced Materials serves a variety of market sectors from the more traditional – such as the hard metals tooling industry – to the most hi-tech, including the rechargeable battery, micro-electronics and satellite sectors. The Advanced Materials business group is composed of three business units: Engineered Metal Powders; Specialty Oxides and Chemicals; Electro-Optic Materials and comprises a 40% shareholding in Element Six Abrasives – a joint venture with Element Six.

Approximately 10% of Umicore's germanium and cobalt needs are sourced through recycling. Germanium and cobalt are rare elements and Umicore pays specific attention to maximizing the efficiency of their use in its products. Significant efforts are also made to develop substitute material solutions that enable the beneficial properties associated with these materials to extend to a broader range of applications. Managing the issue of cobalt dust in the workplace is a key health and safety consideration for the business.

Key figures

(in million €)	**2002**	**2003**	**2004**	**2005**
Turnover	354.1	354.9	552.5	**456.4**
Revenues (excluding metal)	213.2	221.2	308.6	**275.1**
Recurring EBIT	31.4	50.1	85.4	**59.4**
of which associates (1)	13.8	13.5	18.6	**18.4**
Recurring EBIT margin %	8.3%	16.5%	21.7%	**14.9%**
EBITDA	53.2	55.3	106.3	**83.6**
Capital expenditure	18.8	17.9	24.9	**22.2**
Capital employed - average	239.5	203.0	408.5	**387.0**
Return on Capital Employed (ROCE) %	7.1%	18.1%	20.8%	**15.2%**
Workforce - end of period	2,876	2,921	4,075	**4,330**
of which associates (1)	1,493	1,584	2,574	**2,935**

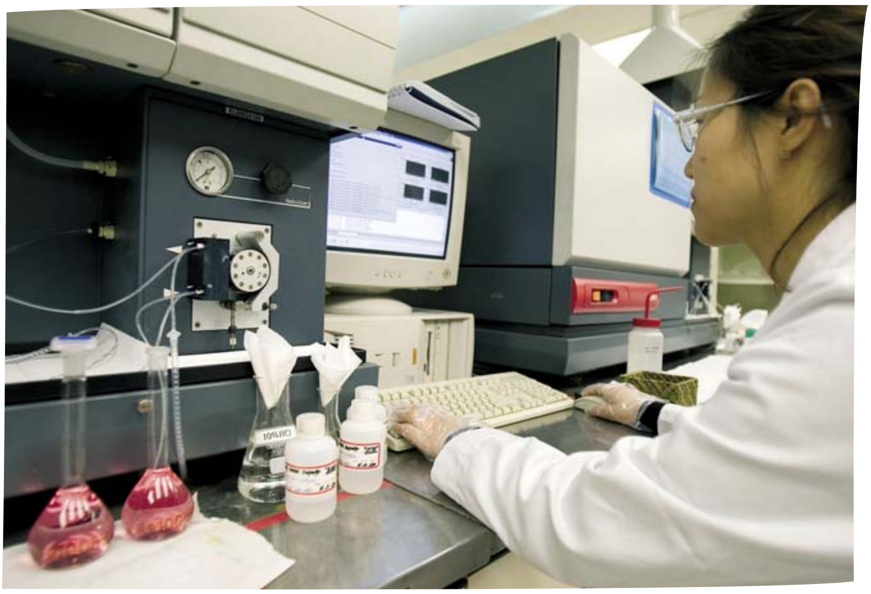
(1) Associates at 31 December 2005: Ganzhou Yi Hao Umicore Industries Co. Ltd. (Engineered Metal Powders, Specialty Oxides & Chemicals); Jiangmen Chancsun Umicore Industry Co. Ltd., Todini and Co. (Specialty Oxides & Chemicals); Element Six Abrasives (Synthetic Diamonds).

Specialty Oxides & Chemicals

The market backdrop for **Rechargeable Batteries** remained buoyant and world demand for portable electronic equipment continued to grow significantly in 2005. Sales volumes of lithium cobaltite strengthened further through the year. The overall performance comparison with 2004 was heavily influenced, however, by the reduction in sales of precursor materials to competing lithium cobaltite manufacturers. Sales volumes of nickel hydroxide at Umicore's Chinese joint venture JCU continued to grow and demand for nickel metal hydride (NiMH) battery materials remained robust.

Revenues in **Ceramics and Chemicals** increased in 2005. The market for cobalt oxides as a pigment in ceramic applications was characterized by lower demand and increasing competition from Chinese imports into Europe. Sales of precursor materials for catalytic and plating applications grew well through the year. A new recycling service set up in Arab, Alabama (US) received a very positive customer response. The acquisition of a 40% stake in Todini (Italy) in June opened up opportunities to access new market segments and in January 2006 Umicore established a cobalt catalyst production capability in Brazil which will further improve the wide geographic reach of the business.

Cobalt Refining revenues were impacted by the lower cobalt price which on average was more than 30% lower in 2005 than 2004. Higher throughput figures resulting from the capacity increase at Yi Hao, were not sufficient to compensate for this effect. Refining activities at Roodepoort, South Africa, were discontinued.



Sun-Jin Na carrying out a laboratory test at Umicore's rechargeable battery plant in Cheonan, South Korea

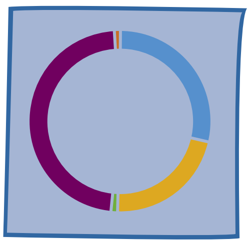
Engineered Metal Powders

In **Tool Materials** sales volumes of materials for the cemented carbide sector reached similar levels to 2004. Activity levels in the oil drilling sector and growth in China were in contrast to lower production levels of steel for the construction industry. Sales of materials for diamond tools were slightly lower than in 2004 and volumes and premiums for products used in higher-end applications held up well.

In **Primary Batteries** competition remained intense. Sales volumes were slightly down year-on-year. The manufacturing presence in Shanghai enabled further gains to be made in the Chinese market and this was further reinforced by the development of new alloyed powders with lower indium content.

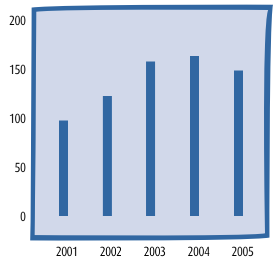
In **Electronic Powders** a new range of spherical nickel and copper powders was developed for more sophisticated next-generation applications.

Advanced Materials turnover

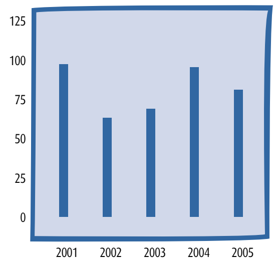


Europe	**29%**
North America	**22%**
South America	**1%**
Asia / Pacific	**47%**
Africa	**1%**

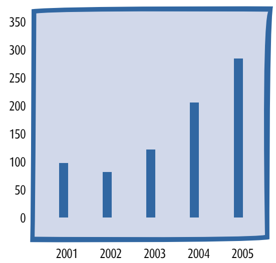
Cobalt products
sales volume trends



Germanium products
sales volume trends



Synthetic diamonds products
sales volume trends*



* only including Syndrill products

Electro-Optic Materials

In **Substrates**, sales volumes were level with 2004 largely due to lower deliveries in the first quarter during the renegotiation process for new contracts. The diversification of the application portfolio outside the space solar cell market continued; deliveries of wafers for LEDs doubled compared with 2004 and research continued with partners in the micro-electronics sector into exploring the long-term potential for germanium in this sector.

In **Optics**, sales volumes for germanium blanks were flat year-on-year. Premiums in the blanks business were lower due to competitive pressure in this area. Sales of finished optics products in general improved. New automotive night-vision systems containing GASIR® lenses (see innovation profile opposite) were introduced to end-user markets during 2005 and Umicore also started to pursue non-automotive applications for this product. The small Umicore Laser Optics facility in Stevenage (UK), was divested in January 2006.

Sales volumes of germanium tetrachloride for optical fibre applications in the **High-Purity Chemicals** business line remained level with 2004.

Synthetic Diamonds

The performance of Element Six Abrasives was strong throughout 2005. Overall demand in end user sectors such as tooling for oil and gas drilling remained very robust throughout the year. Price erosion persisted in the market for lower-end grits and the business moved to focus more on products for higher-end applications. The relative importance of the polycrystalline business in the Element Six Abrasives portfolio grew significantly in 2005. Element Six Abrasives increased its research and development efforts to 8% of sales, increasing its R&D expenditure by some €5 million year-on-year.

The scope of the activities within Element Six Abrasives was extended to include increased marketing and research capabilities. This will better equip Element Six Abrasives for its future growth initiatives.

The night vision system which incorporates
Umicore's GASIR lenses greatly enhances visibility at night

Enhancing driver safety with GASIR®

In 2005 Umicore made its first commercial deliveries of a new material called GASIR® to be used in Autoliv's Far Infrared night vision system for BMW's 7-Series.

Until Umicore's scientists made a breakthrough with this product, the only viable material for thermal imaging / night vision optics was germanium, a very rare and costly material. GASIR® contains only 20% germanium but retains almost the same infrared capabilities as pure germanium. By also using an innovative moulding production technology Umicore has been able to minimize production waste and reduce production costs, thereby making night vision a viable and affordable option in automotive applications.

GASIR® is so new and innovative that it has been subject to new substance notification both in Europe and North America.

At its facility in Quapaw, Oklahoma, USA, Umicore produces optical assemblies for Autoliv which contain GASIR® lenses covered by a tough germanium window. The optical assembly is positioned in the car's grille on the driver's side. The special lens system allows infrared radiation (heat) – from people, animals or other vehicles up to 300 metres away – to pass through and be processed by an electronic module which in turn creates an image for the driver on a monitor.

Generally, night driving is two to three times more risky than daylight driving, according to data from the US. In Europe more than 20,000 people are killed every year in night-time accidents and an additional 560,000 people are injured. The system containing the GASIR® lens can greatly enhance driver visibility – and therefore safety – at night and in poor driving conditions such as fog and heavy rain.

Precious Metals Products and Catalysts

Profile

Precious Metals Products and Catalysts produces a range of complex functional materials based on its expertise in complementary technology platforms such as catalysis and surface technology. Its activities serve a wide range of industries including automotive, jewellery, electronics, pharmaceutical and optics. The headquarters of Precious Metals Products and Catalysts are based in Hanau (Germany). The business is organized in five business units: Automotive Catalysts; Jewellery and Electroplating; Precious Metals Chemistry; Technical Materials and Thin Film Products. The combined businesses have more than 20 production sites in 15 countries around the world.

Over 50% of Umicore's downstream precious metals needs come from recycled sources. As precious metals are so valuable the ability to close the loop for customers is of particular importance. Precious Metals Products and Catalysts is Umicore's single biggest investor in research and development – an essential undertaking when serving such rapidly developing sectors. Umicore's Automotive Catalysts business plays an important role for society and the environment by enabling continuous reductions in harmful pollutants from vehicles.

Key figures

(in million €)	2002	2003(1)	2004	**2005**
Turnover	-	646.0	1,678.7	**1,860.6**
Revenues (excluding metal)	-	286.9	698.0	**766.2**
Recurring EBIT	-	42.9	122.8	**136.1**
of which associates (2)	-	3.1	9.0	**8.4**
Recurring EBIT margin %	-	14.9%	16.3%	**16.7%**
EBITDA	-	62.9	166.6	**177.7**
Capital expenditure	-	13.7	49.2	**43.6**
Capital employed - average	-	538.3	581.9	**610.1**
Return on Capital Employed (ROCE) %	-	17.5%	21.1%	**22.3%**
Workforce - end of period	-	3,319	3,273	**3,420**
of which associates (2)	-	163	178	**220**

(1) Only 5 months of former PMG activities and 12 months of Thin Film Products (previously in Advanced Materials).
(2) Associates at 31 December 2005: ICT Japan, ICT USA, Ordeg (Automotive Catalysts).

Automotive Catalysts

Production levels and sales of light-duty vehicles in the US stagnated year-on-year. Asian producers were able to further increase their market share in the US mainly at the expense of US car manufacturers. Sales were supported by extensive and aggressive incentive programmes offered by US producers. Towards the end of the year, however, vehicle production levels outstripped sales, leading to a build-up of inventories. The impact of the chapter 11 filing of one of the supply chain partners in North America was symptomatic of the difficult market environment.

New vehicle registrations in Europe were at the same levels as 2004. Diesel powered vehicles further expanded their market share and accounted for 50% of all light duty vehicle sales. The market for diesel particulate filters (DPFs) benefited from an easing in the availability of substrate materials. Umicore is technologically well positioned in this segment which is expected to grow steadily, supported by new EU legislation.

The situation in emerging markets continued to improve through a combination of increased car production and more stringent legislation. New car sales in China were 15% up year-on-year. Umicore opened a new plant in Suzhou, China, which began deliveries to customers during the second half of the year.

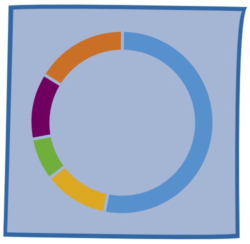
Umicore's palladium technology for light duty diesel applications (see innovation profile page 21) attracted significant interest from automobile manufacturers and was incorporated in new vehicle platforms during the year. The business unit further intensified its research and development activities in the field of heavy-duty diesel (HDD) applications. The award of the first commercial contracts confirmed the strength of Umicore's technologies in this area.

Umicore's deliveries of platinum gauzes increased during the year. Here Daniel Bordasch is carrying out application checks in Hanau, Germany

Technical Materials

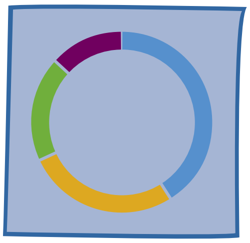
In **Platinum Engineered Materials** the momentum of sales to the LCD glass sector was tempered by some customer expansion projects in this sector being postponed to early 2006. Umicore's technology, which uses less platinum and guarantees improved product life, continued to prove a key selling point with the key producers of LCD glass, however. Sales of catalyst gauzes increased, driven by the ability of Umicore to provide tailor-made systems for its customers.

Precious Materials Products and Catalysts turnover



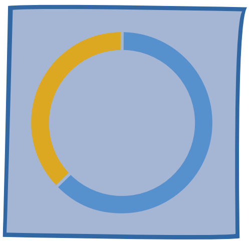
Europe	**53%**
North America	**11%**
South America	**8%**
Asia / Pacific	**12%**
Africa	**16%**

Technical Materials turnover



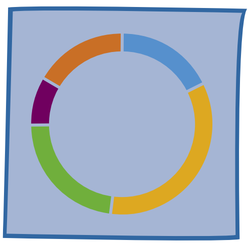
BrazeTec	**41%**
Electronic Packaging Materials	**27%**
Contact Materials	**19%**
Platinum Engineered Materials	**13%**

Jewellery & Electroplating turnover



Jewellery & Industrial Metals	**63%**
Electroplating	**37%**

Thin Film Products turnover



Optics	**18%**
Microelectronics	**34%**
Optical Data Storage	**23%**
Wear & Decorative Coatings	**9%**
Displays	**16%**

Revenues in **Contact Materials** showed a slight improvement. This was mainly through improved sales of specialty, customer-tailored products, primarily in Europe. Umicore acquired Suzhou Alloys, a leading Chinese producer of contact materials (primarily silver tin oxide), at the end of 2005. This marked a new step in the development of the Contact Materials business in Asia.

BrazeTec's sales volumes remained at the record levels of 2004 with European demand remaining strong. The new paste business continued to grow, particularly as a result of demand from the automotive and HVAC sectors. In January 2006 Umicore expanded BrazeTec's reach to the Chinese market through the acquisition of Global Stars.

After a record year in 2004, revenues in **Electronic Packaging Materials** decreased as a result of lower demand from the electronics sector. Umicore successfully defended its market position in die-attach materials for electronic applications.

Jewellery & Electroplating

The **Electroplating** business recorded continued revenue growth. The business benefited from the trend for "white" jewellery which increased demand particularly for rhodium-based chemicals and electrolytes. A breakthrough was also achieved in sales of electrolytes for the electronics sector. The improved position of this business in the flourishing Asian market proved highly beneficial in 2005.

In **Jewellery & Industrial Metals** revenues were slightly lower than the very strong levels reported in 2004. The performance in Jewellery improved as a result of the growth in demand for white gold and modified platinum alloys. This was in contrast to the decline in the decorative silver market. In Thailand, the business set up a pre-processing and recycling operation for jewellery industry residues. The one-stop-shop service, which offers customized products, refining services and metals management for customers, was also a key success factor for the business line in 2005.

Precious Metals Chemistry

The overall performance was well ahead of 2004. Sales of **Inorganic Compounds** and **Organometallic Chemicals** grew in 2005, despite a somewhat slow start to the year. The growth prospects of this business are encouraging and are driven by the increasing demand for catalysts in a range of industrial and pharmaceutical applications. The technological and commercial collaboration with Reaxa was strengthened in the second half of the year.

Thin Film Products

Annual revenues improved compared to 2004. In Electronics, sales of targets to the microelectronics sectors showed an improvement over the high levels of 2004. In Displays, sales volumes and premiums were in line with the previous year. The business was successful in the development of larger indium tin oxide (ITO) tiles which have further improved the prospects of market penetration in the Asian TFT market. In Optics and Optical Data Storage, sales volumes and premiums were under pressure. The Wear and Decorative Coatings business recorded a significant improvement in performance compared with 2004.

Making clean air more affordable

In 2005 Umicore made its first large-scale commercial deliveries of a pioneering automotive catalyst technology.

In 2004 Umicore announced a breakthrough in catalysis for diesel emission control systems in cars by being able to substitute 25% of the platinum for palladium (a metal which on average in 2005 was some 80% cheaper than platinum). Until then platinum was the only material capable of fulfilling this function. The technology is being applied for customers in diesel oxidation catalysts (which reduce hydrocarbon and carbon monoxide in exhaust gases) and also offers added scope for broader and faster introduction of catalytically activated diesel particulate filters (DPFs) which reduce the emissions of small particles from diesel engines. The use of palladium offers the potential for even better performance (thermal stability) and also a longer life for the catalyst. The development has been facilitated by the increasing availability of low-sulphur diesel fuel and the increasing sophistication of modern engine management systems.

The technology, developed as a result of several years of intensive research, is providing automobile manufacturers with a degree of flexibility in their choice of catalyst materials for diesel emission control systems and therefore more scope for them to optimize the total cost of these systems.

Rigorous testing is a key element in the development of Umicore's catalyst products for automotive emission control

Precious Metals Services

Profile

Precious Metals Services is the world market leader in recycling complex materials containing precious metals. Its core business is to provide refining and recycling services to an international customer base. Precious Metals Services recycles and refines precious metals and other non-ferrous metals from a wide range of complex industrial intermediate materials and precious metals-bearing scrap from electronic and catalytic applications. Precious Metals Services is unique in the breadth of materials it is able to recycle and the flexibility of its operations. The business has operations on three continents encompassing recycling and refining, collection and pre-processing and Precious Metals Management.

Umicore's feed comes 100% from secondary sources (industrial by-products and end-of-life materials). The operations offer the ultimate example of closing the materials loop and using the infinite recyclable properties of metals to the maximum. In terms of sustainability challenges a programme is underway to address historical pollution issues around the Hoboken plant. In terms of occupational health the level of lead in blood of employees at the Hoboken site and rare sensitization as a result of exposure to platinum salts are monitored closely.

Key figures

(in million €)	2002	2003	2004	2005
Turnover	768.8	1,717.0	2,282.9	**3,133.0**
Revenues (excluding metal)	201.0	214.7	204.9	**234.5**
Recurring EBIT	53.2	45.7	34.0	**56.8**
of which associates	-	(0.1) (1)	-	**-**
Recurring EBIT margin %	26.5%	21.3%	16.6%	**24.2%**
EBITDA	78.2	71.3	59.0	**97.7**
Capital expenditure	36.3	23.2	20.9	**23.5**
Capital employed - average	166.6	240.6	289.9	**254.7**
Return on Capital Employed (ROCE) %	32.0%	19.0%	11.7%	**22.3%**
Workforce - end of period	1,160	1,180	1,289	**1,297**

(1) Cycleon.

Precious Metals Refining

Supplies of industrial by-products to the Precious Metals Refining operation in Hoboken were well up on 2004 and Umicore's ability to recover a wide range of metals in its flow sheet proved to be of further competitive advantage. The higher levels of activity in the world copper, lead and zinc industries induced a significant increase in the availability of by-products. The restructuring of Umicore's zinc smelting operations resulted in a reduced throughput of silver-bearing leach residues but the unit was successful in sourcing replacement materials for 2006.

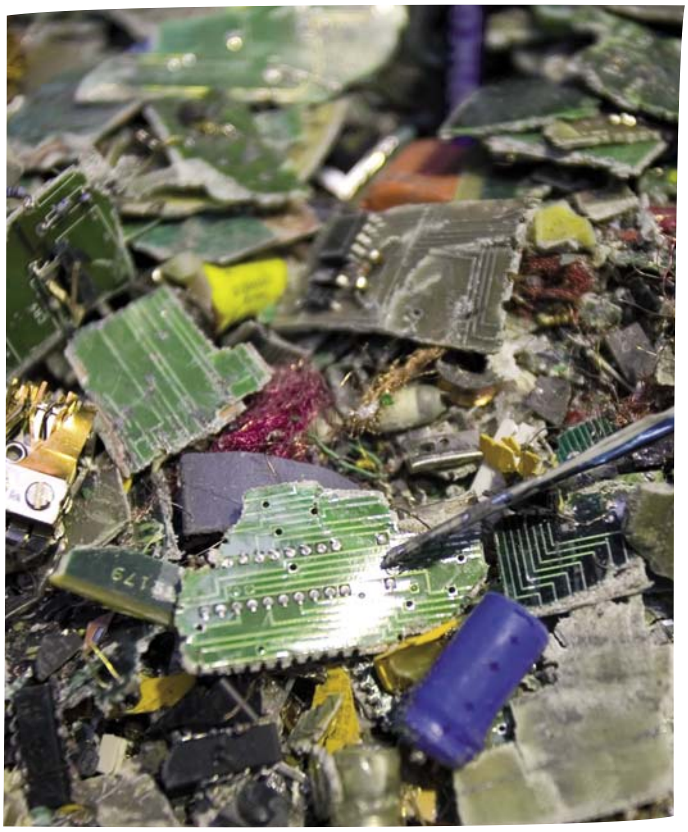
Supplies of electronic scrap increased and the marketing efforts to further expand the presence in this area were stepped up. Umicore has established a leadership position in this market. This was of particular importance in Europe where the availability of electronic scrap is set to rise further as a result of legislative developments. In August 2005, the European Waste Electrical and Electronic waste directive (WEEE) came into force, providing a strong legal framework for the recycling of electronic and electrical waste.

Supplies of spent automotive catalysts increased compared with 2004. This stemmed mainly from growth in the European market in which Umicore has a strong collection network. Arrivals of spent petro-chemical catalysts increased as a result of a broader customer base and the increased activity in this sector.

The prices of most precious metals increased during 2005. The average prices of platinum and gold were respectively 6% and 9% higher than in 2004, while the price of rhodium more than doubled during the year. Such price increases added a favourable tailwind to the performance of the refining operations.

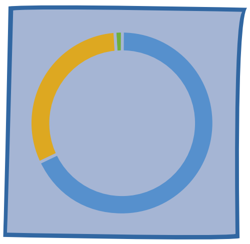
The performance of the refining operations was also aided by higher prices of certain specialty metals. Umicore was able to benefit from its ability to recover a wide range of these metals - such as selenium, indium and tellurium - from its flow sheet and demand for these metals was at high levels throughout the year.

The prices of selenium and tellurium rose significantly during 2005, largely as a result of surging demand from the steel industry which uses these materials to improve the malleability of steel. Most of the selenium and tellurium recovered by Umicore from its recycling process is sold direct into the market. The surge in the price of indium was fuelled by a supply-demand imbalance. Output was not sufficient to keep pace with world demand which has been driven by the use of indium in applications such as the production of LCD screens. Most of the indium recovered by Precious Metals Services (primarily from lead residues) is used internally by the Thin Film Products business unit.



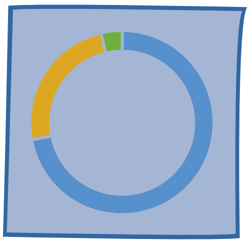
Supplies of electronic scrap continued to increase during 2005. Here electronic scrap is ready for sampling and pre-processing at the Hoboken plant, Belgium

Precious Metals Services turnover



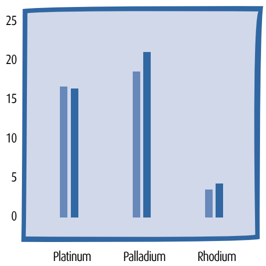
Europe	**68%**
North America	**31%**
Asia/Pacific	**1%**

Source of materials
(in refining charges)



- By-products from the refining industry **72%**
- End-of-life materials **24%**
- Concentrates **4%**

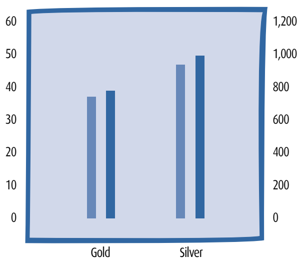
PGM production*
(in tonnes)



- 2004
- 2005

* Includes recycling activities in Precious Metals Products and Catalysts

Gold and Silver production*
(in tonnes)



- 2004
- 2005

* Includes recycling activities in Precious Metals Products and Catalysts

A €9 million investment in a capacity increase at the sulphuric acid plant at Hoboken was commissioned in November. This investment will enable the treatment of a wider range of residues and also further reduce the level of sulphur dioxide emissions from the facility. Umicore has also taken steps to significantly increase indium output as from 2007.

The benefits of the integration of the Hoboken and Hanau operations were felt in 2005 and contributed to the improved performance of the business group. Further productivity improvements were also achieved at the Hoboken facility.

Precious Metals Management

In Precious Metals Management the performance remained stable at the good levels of 2004. The commercial and trading activities were supported by strong demand for and market interest in precious metals, notably rhodium. In November 2005 at a metals fair in Munich the business presented new Umicore-branded precious metal ingots. These were made available for sale in Germany in January 2006 and replaced the previous Degussa-branded ingots.

Umicore is contributing to schemes which aim to facilitate the collection and recycling of rechargeable batteries such as this initiative in Thailand

A total recycling solution

In 2005 Umicore made further steps in developing its unique process for recycling lithium ion rechargeable batteries. This process now allows Umicore to recycle both lithium ion and nickel metal hydride batteries from mobile devices such as laptops and mobile phones. The process uses a unique thermal technology including a special gas cleaning system which generates no hazardous waste or by-products.

Until Umicore made its initial breakthrough in late 2003 no technology existed which enabled the recycling of spent rechargeable batteries in a sustainable way – an unacceptable situation in a world where such batteries are becoming so widely used.

Umicore's offer is a complete recycling solution for portable electronic equipment through the application of this unique technology. By promoting the recycling of portable electronic equipment with their batteries still attached Umicore hopes to open new commercial opportunities both for this venture and also for the Precious Metals Services division which is already one of the world's leading recyclers of electronic scrap.

The technology also enables Umicore to reduce its needs for mined cobalt to produce its own rechargeable battery materials in the Advanced Materials business. The cobalt recovered from the recycling process is retransformed into lithium cobaltite at Umicore's plant in South Korea and then finds its way into new lithium ion batteries – and the cycle starts again...

Zinc Specialties

Profile

Umicore has a unique profile within the zinc industry. It is downstream integrated and focuses on the development of zinc-based materials including chemicals, alloys and building materials for a wide variety of applications. The key strategies of the Zinc Specialties business are to develop and maintain leadership positions in every market, to optimize the input of recycled materials and where possible to offer a “closed loop” service to its customers. Zinc Specialties is organized around three business units: Zinc Alloys, Zinc Chemicals, and Building Products, as well as a 47% stake in Padaeng Industry (PDI), South East Asia’s sole sizeable zinc producer, located in Thailand.

Over 30% of the feed of the Zinc Specialties operations comes from recycled sources and “closing the loop”is a central pillar of the business strategy. The clean-up of past pollution in and around its Belgian and French installations has been a major focus in terms of sustainability challenges. This issue is being fully resolved. The on-going environmental challenges for the business include dealing with waste streams such as goethite. Umicore’s zinc smelting operations remain the company’s single biggest consumer of electricity.

Key figures

(in million €)	**2002**	**2003**	**2004**	**2005**
Turnover	754.0	803.6	933.8	**940.8**
Revenues (excluding metal)	425.0	440.6	481.4	**448.4**
Recurring EBIT	17.8	28.4	79.9	**24.7**
of which associates (1)	1.0	0.1	3.4	**7.2**
Recurring EBIT margin %	4.2%	6.4%	15.9%	**3.9%**
EBITDA	52.7	64.2	134.0	**65.1**
Capital expenditure	43.4	45.0	41.5	**47.2**
Capital employed - average	236.2	264.5	360.5	**383.5**
Return on Capital Employed (ROCE) %	6.5%	10.0%	21.7%	**6.1%**
Workforce - end of period	3,611	4,093	4,048	**3,977**
of which associates (1)	751	1,218	1,173	**1,159**

(1) Associates at 31 December 2005: Rezinal (Zinc Chemicals); IEQSA (Building Products); Padaeng Industry.

Zinc Alloys

The **Galvanizing** business line underwent a year of transition. The reduction in sales volumes was due to the decision to stop supplying continuous galvanizing alloys to the steel industry. Average premiums went up, primarily due to the higher market zinc price and with the majority of the improvement occurring in the last part of the year.

In **Die-Casting** sales volumes of Zamak in Europe were flat. Premiums on the European market recovered towards the end of the year. Deliveries of Zamak in Asia were also at similar levels to 2004 despite growth in the die-casting sector, particularly in China. Umicore acquired a Chinese zinc operation in January 2006, Yunnan Zinc Alloys, which will improve Umicore's ability to benefit from this growth in future years.

In early 2005 Umicore announced its intention to restructure its **Zinc Smelting** operations. This process was finalized by mid-November both from a technical and social point of view. As a result of the restructuring, which involved the closure of a roaster and tankhouse in France, zinc output was 431,000 tonnes, 17% lower than in 2004.

In 2005 Umicore completed hedging operations to fix part of its zinc price related margins for 2006 and 2007. At 6 March 2006, most of Umicore's zinc price exposure for 2006 was hedged at an average forward price of €1,125 per tonne with the residual exposure being gradually realized at prevailing market rates. At this date 70% of Umicore's zinc price exposure for 2007 was hedged at an average forward price of €1,465 per tonne, while 80% of the exposure for the first quarter of 2008 had been hedged at an average forward price of €1,635 per tonne.

In order to enhance its strategic flexibility, Umicore decided in early 2006 to study the possibility of carving out its zinc smelting and alloying activities into a wholly owned subsidiary.

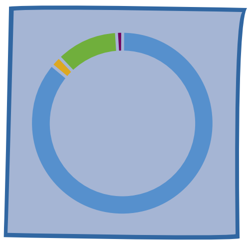
The Zinc Chemicals activities continued to grow during 2005. Here Nicole Ermans prepares an analysis of zinc oxide at the Eijsden plant in the Netherlands

Zinc Chemicals

Overall sales volumes of **Fine Zinc Powders** were at the same level as 2004. Sales of zinc metal pigments for paint applications increased as a result of strengthening demand, particularly in Asia as a result of the boom in shipbuilding and the production of maritime containers. Sales of chemical grade products were down due to customer consolidation. Premiums were slightly lower in Europe and China and remained stable in the rest of Asia.

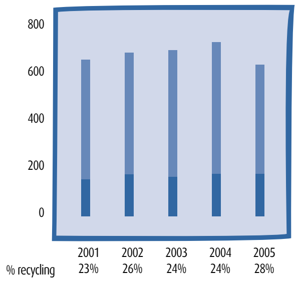
In **Zinc Oxides** there was reduced demand for ceramic applications in the second half. This followed a first half of lower demand in other sectors, such as tyre production, where zinc oxide is also used as a process additive. However, the business benefited from the higher zinc price which increased its recycling margins and more than compensated for the lower sales volumes. An investment was made in a pilot plant for the new Zano® nano-materials product line, which is being developed as a transparent UV protection in sunscreens and clear coatings (see innovation profile page 29).

Zinc Specialties turnover



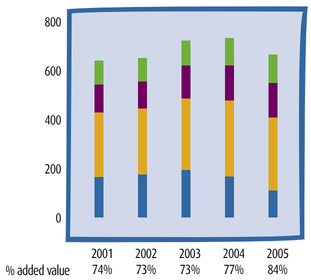
Europe	**86%**
North America	**2%**
Asia / Pacific	**11%**
Africa	**1%**

Zinc production
(in '000 tonnes)



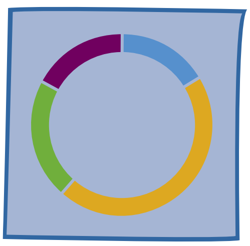
- Primary sources
- Secondary sources

Zinc sales volumes
(in '000 tonnes)



- Commodity zinc
- Zinc Alloys & Padaeng (excluding commodity zinc)
- Zinc Chemicals & other
- Building Products

Business activity breakdown
(in volumes)



Commodity zinc	**16%**
Zinc Alloys & Padaeng (excluding commodity zinc)	**45%**
Zinc Chemicals & other	**21%**
Building Products	**18%**

Building Products

Overall sales volumes increased but premiums were impacted very negatively by a constantly rising zinc price. After a slow start to the year, sales volumes recovered to much better levels in the second half. The French and Benelux markets remained strong but although the situation in the German construction sector stabilized there were no signs of any improvement in demand. Sales in the newer markets for zinc materials, such as the US, continued to grow. In line with the business differentiation strategy, the improvement in volumes in 2005 was entirely attributable to added-value products such as pre-weathered sheets and accessories. Significant investments were made to increase the product offering and production capacity in these materials.

Padaeng

The contribution of Padaeng to Umicore's earnings more than doubled in 2005. Sales volumes were down year-on-year, due to lower levels of activity in the domestic Thai market, especially in the third quarter. The reduction of Thai tariffs on imported zinc placed pressure on domestic market premiums. The proportion of added value products in Padaeng's portfolio grew during 2005 while the volumes of alloys exported to other Asian markets decreased. In terms of supply, Padaeng was able to protect itself to a large extent from the backdrop of weakening market treatment charges by increasing the proportion of silicate feed from its own mine. Despite these challenging conditions the overall performance of Padaeng improved as a result of a higher received zinc price and slightly higher premiums for the added value products.

Lucien Boonen and Jackie Swinnen analyzing the dispersion qualities of Zano® at the research centre in Olen, Belgium

Zano®
an innovation in zinc chemicals

Umicore has developed a new zinc oxide product with nano-sized particles called Zano®. Zano® is a homogeneous zinc oxide with a very even particle size distribution which means that it can be used in a variety of applications.

Used in skincreams Zano® offers excellent protection against the sun's UV-A and UV-B rays and its transparency means that it can be used in a wider variety of products than traditional zinc oxide. Because it combines UV-A / UV-B protection and transparency with the anti-bacterial and fungistat properties of zinc oxide it is also ideal for use as a protective agent in transparent plastics and plastic film, in textiles as well as on interior and exterior wood structures.

Zano® is the result of research and development efforts in process and product technology. In 2006 larger scale production will commence in Olen, Belgium. In addition to its application know-how, Umicore will also be able to develop tailor-made solutions for its customers such as coated nano zinc oxide, stable dispersions in aqueous or organic liquid and doped nano zinc oxides.

Umicore is convinced of the potential benefits that nano-materials offer in many different applications. Umicore is mindful of the fact that nano-materials are a new product category and that research, (to which the company is contributing) is ongoing to fully understand any possible health and environmental effects regarding their use in products and their handling in the workplace.

Until such uncertainty has been lifted, strict measures have been put in place to protect workers against possible exposure.


we live

Environmental Report

together

Umicore's Viviez plant celebrated its 150th anniversary in 2005. Originally created as a zinc smelter it is today Umicore's worldwide competence centre for zinc surface treatment for the Building Products business. It is a valued employer in this small community in the heart of France. However, 150 years of continuous operations have also left the present generation with the legacy of historical soil and groundwater pollution. As part of its overall commitment to address all legacy issues, Umicore is embarking on a remediation programme for the contaminated areas.

Group Environmental Performance Analysis

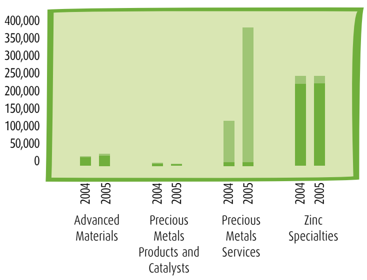
Scope

In The Umicore Way we have committed "to seek continual improvement in our environmental performance". This section provides an evaluation of the 2005 Group environmental performance in comparison with 2004 data. This analysis concentrates on key environmental areas, most of which form the basis of the environmental objectives for 2006-2010 (see p. 44-45). We are committed to make further progress in these areas during the coming years.

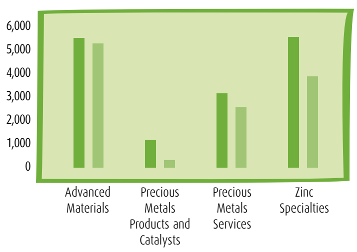
In April 2005, Umicore demerged its copper business group including operations in Olen (Belgium), Avellino (Italy) and Pirdop (Bulgaria). The 2005 environmental performance data for these three sites are no longer available to Umicore. In order to present a set of data comparable to 2004, the environmental performance was recalculated without the above-mentioned copper operations. Furthermore, in order to be consistent with the scope of the financial data, environmental data for Padaeng Industry is no longer included in this analysis.

Within the scope of Umicore's new combined report the advanced environmental reporting has been brought forward from July to March. It was therefore necessary to collect environmental performance data for the smaller sites at the end of the third quarter together with a forecast for the fourth quarter except for the main sites (Hanau, Overpelt, Balen, Olen, Hoboken and Auby) which were able to report complete full year data. A sensitivity analysis showed that the forecasted data for the fourth quarter would not significantly alter the overall performance data.

1
Total waste production
(in tonnes)



2
Metals emitted to water
(in kg)



Waste

In total, 694,324 tonnes of waste were generated at Umicore's operations compared to 423,045 tonnes in 2004. However, the overall waste recovery rate increased from 26% to 60%. While nearly 57% of the total waste volumes were reported by the Hoboken site (Precious Metals Services), it is important to note that 97% of this waste material is constituted of slags which are recovered as an additive to construction materials such as concrete and stabilization materials for dikes. 35% of the waste volume is a sterile iron-rich material produced by the zinc smelting operations (figure 1). The slight differences in waste volumes in the Advanced Materials and Precious Metal Products & Catalyst operations are due to one-off construction activities.

The total waste sent to a landfill or incinerated decreased from 313,477 tonnes in 2004 to 278,423 tonnes in 2005.

In 2006, Umicore will further refine its data in order to reflect the distinction between hazardous and non-hazardous waste.

Metals emissions to water and air

Emissions to water

In 2005, the total emissions to surface water were 12,079 kg, down from 15,432 kg in 2004. Significant reductions were achieved due to an improved performance of the waste water treatment plants at some sites such as Auby (Zinc Specialties) and Guarulhos (Precious Metals Products & Catalysts) (figure 2). The reduction in the Advanced Materials segment is the result of the closure of the Roodepoort site.

Emissions to air

In 2005, total metal emissions to air were 35,418 kg compared to 39,407 in 2004. The most significant reduction is reported in Precious Metals Services' Hoboken site (see Achievements 2000 - 2005, page 38) (figure 3).

The difference between 2004 and 2005 in air emissions reported for Advanced Materials and Precious Metals Products & Catalysts is the result of more accurate air sampling measurements.

Both SOx and NOx emissions to air significantly decreased in 2005 (see table page 34).

Greenhouse gas emissions

In 2005, Umicore sites emitted a total of 947,650 tonnes of CO_2 compared to 1,001,631 tonnes in 2004. This decrease is mainly due to reduced CO_2 emissions in the zinc activities because of reduced production volumes (figure 4).

Energy

Total energy consumption for Umicore was about 15,500,000 gigajoules compared to close to 17,000,000 gigajoules in 2004 (figure 5).

The main sites in Flanders (Overpelt, Balen, Olen and Hoboken) plus the site in Auby (France) were responsible for 81% of the Group's total energy consumption. A decreased production volume of the zinc smelting operations has led to a reduction in energy use proportional to the overall reduction in zinc production. The slight increase in energy consumption in Precious Metals Services is due to a higher production rate at the Hoboken plant.

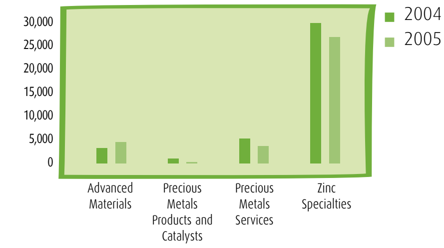
Compliance and complaints

In total, close to 50,000 measurements were carried out at all Umicore's industrial sites to verify compliance with local environmental regulatory requirements. About 1,233 of those measurements detected non-compliance resulting in an excess rate of less than 2.5% (figure 6). Three industrial sites had an excess rate of more than 5%. The excess rate of 3.7% of the Precious Metals Products & Catalysts operations is mainly due to more accurate measurement at the site in Guarulhos.

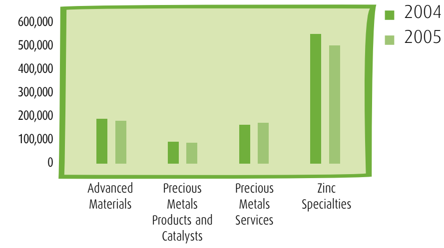
Umicore received 51 complaints related to its operations – down from 83 in 2004. The main reason for this reduction is the reduced number of odour complaints at the Olen site (Advanced Materials) and a reduced number of noise complaints at the Hoboken site (Precious Metals Services).

Umicore is committed to operate its industrial sites in full compliance with local regulatory requirements.

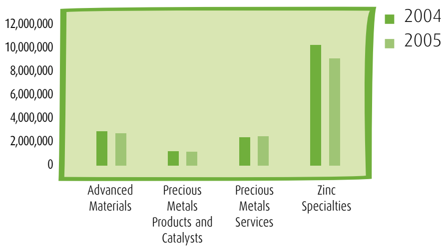
3
Metals emitted to air
(in kg)



4
CO_2 emission
(in tonnes)



5
Energy consumption
(in GJ)



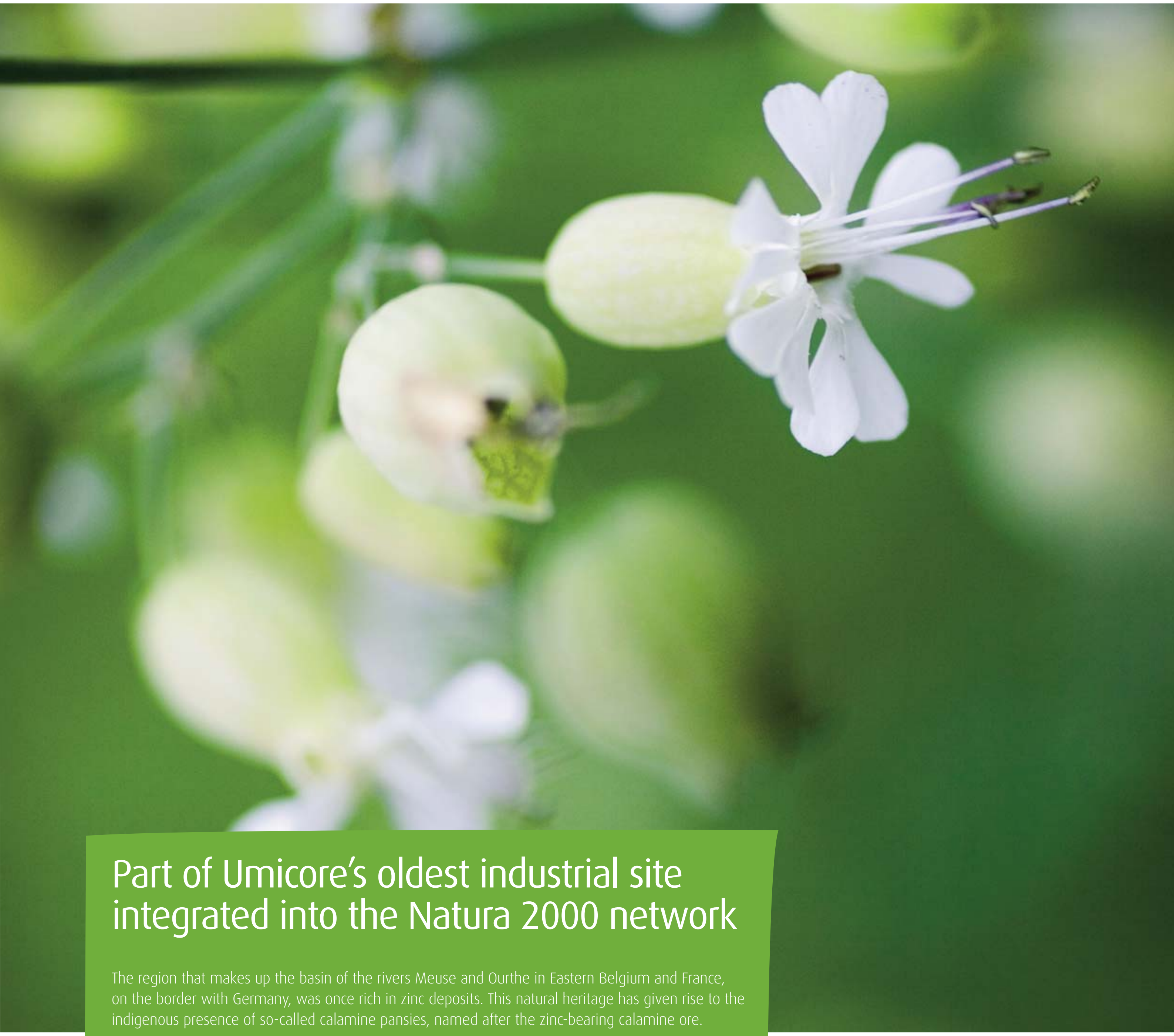
6
Compliance excess rate
(in %)

Overview of key environmental and safety performance indicators for the Umicore Group per business segment

Business Segment		Advanced Materials		Precious Metals Products and Catalysts		Precious Metals Services		Zinc Specialties[1]		Umicore Group	
		2004	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**
Safety											
Frequency rate accidents/million working hours		9.5	**7.5**	4.3	**3.2**	15.7	**9.4**	8.9	**7.6**	7.1	**6.3**
Severity rate lost days/1,000 working hours		0.28	**0.25**	0.04	**0.05**	0.48	**0.45**	0.24	**0.34**	0.19	**0.22**
Environment											
Materials used	tonnes	28,615	**27,512**	3,645[2]	**3,017**	247,231	**275,978**	2,227,466	**1,787,355**	2,506,957	**2,093,862**
% secondary	%	30.2	**30.1**	71.0[2]	**57.4**	97,0	**94.4**	23.2	**26,0**	30.7	**35.1**
Water consumption	1,000 m^3	2,485.0	**2,614.4**	422.0	**632.3**	1,392.0	**1,501.2**	9,110.0	**14,015.3**	13,409.0	**18,763.0**
Energy consumption	terajoules	2,913	**2,765**	1,217	**1,172**	2,392	**2,507**	10,307	**9,137**	16,828	**15,581**
Total waste produced	tonnes	27,119	**34,479**	9,046	**6,490**	128,823	**395,614**	258,058	**257,741**	423,045	**694,324**
% waste recovery	%	12,0	**17,0**	35.3	**41.8**	91.7	**97.4**	9.1	**8.4**	25.9	**59.9**
Metals emitted to water	kg	5,528	**5,299**	1,172	**315**	3,163	**2,582**	5,569	**3,883**	15,432	**12,079**
Metals emitted to air	kg	3,233	**4,485**	1,013	**267**	5,251	**3,721**	29,910	**26,945**	39,407	**35,418**
SO_x emission	tonnes	30	**92**	9	**5**	1,265	**936**	2,793	**2,162**	4,097	**3,195**
NO_x emission	tonnes	213	**143**	81	**91**	123	**188**	307	**250**	725	**672**
CO_2 emission	tonnes	191,191	**181,653**	92,476	**88,697**	164,396	**172,971**	553,568	**504,330**	1,001,631	**947,650**
Compliance excess rate	%	2.8	**1.0**	1.7	**3.7**	1.8	**1.8**	2.8	**2.3**	2.5	**2.5**
Number of complaints on hindrance	number	20	**3**	4	**6**	38	**21**	21	**21**	83	**51**

(1) Zinc Specialties: Padaeng Industry excluded.

(2) Only for Precious Metals Products.



Part of Umicore's oldest industrial site integrated into the Natura 2000 network

The region that makes up the basin of the rivers Meuse and Ourthe in Eastern Belgium and France, on the border with Germany, was once rich in zinc deposits. This natural heritage has given rise to the indigenous presence of so-called calamine pansies, named after the zinc-bearing calamine ore.

The Umicore plant in Angleur, which carried out zinc processing activities on this site between 1837 and 1966 is situated at the heart of this region. Today the plant produces fine zinc powder.

The old industrial activities released zinc into the atmosphere. However, these emissions did not only have a negative impact on the environment. While the polluting influences have since been pinpointed and dealt with as part of the site's remediation plan, the zinc actually contributed towards the survival of calamine plants, which include the yellow calamine violet (Viola Calaminaria), a spectacular species that flowers abundantly between May and October and that grows within a very limited area. This flower thrives in a sector of the Angleur site known as Ile aux Corsaires which is today a part of the European Natura 2000 network. This network sets out to ensure the preservation, recovery or conservation of biological diversity within the European Union.

White calamine plants, such as the silene vulgaris, continue to flower late in the year on the "Ile aux Corsaires"

Achievements 2000 - 2005

Scope

In 2000, Umicore committed to a series of eight environmental objectives to be achieved by the end of 2005. The final evaluation against the objectives takes into account the scope of the company when the objectives were formulated. Hence, acquisitions after 2000 are not integrated into this analysis. For the purpose of objectives 1 to 4 the EU means the EU member states in 2000 and Norway.

In April 2005, Umicore demerged its copper business group including operations in Olen (Belgium), Avellino (Italy) and Pirdop (Bulgaria). The 2005 environmental performance data for these three sites are no longer available to Umicore. In order to present a final evaluation of the objectives with comparable data for the period 2000-2005, the environmental performance was recalculated without the above mentioned copper operations.

Within the scope of Umicore's new combined report the advanced environmental reporting has been brought forward from July to March. It was therefore necessary to collect environmental performance data at the end of the third quarter together with a forecast for the fourth quarter except for the main sites (Hanau, Overpelt, Balen, Olen, Hoboken and Auby) which were able to report complete full year data. A sensitivity analysis showed that the forecasted data for the fourth quarter would not significantly alter the overall performance data.

Introductory remarks

It should be noted that over the last five years, the Group objectives served not only to drive performance but also to focus on improving the monitoring and measuring techniques. These improvements may have contributed to observed variability in results over the years.

While we did not meet all the set objectives, the next round of objectives introduced in this report for 2006 to 2010 (see pages 44-45) recognizes such variability and attempts to better reflect current operating conditions. The new Group objectives will continue to focus on key areas in which Umicore has committed to make further progress.

Environment Manager, Roger Palmans, surveys the outlying areas of the Balen site, Belgium. Rehabilitation work is largely complete at the site and part of the land has been set aside for use as a wind turbine park.

Progress towards the Group's Environmental Objectives 2000-2005

Objective 1

Umicore aims to increase the input of secondary materials to more than 30% of its feed of raw materials.

Timing & scope: exceed the 30% input of secondary material at all EU sites by 2005.

As per figure 1, the input of secondary materials increased from 30% in 2004 to 34% in 2005. While the total material input decreased in 2005 compared to 2004, this decrease was more pronounced for the primary material input leading to a higher ratio of secondary / primary material input.

Objective 2

Umicore will reduce its use of precious water sources (domestic and groundwater) by 20% and maximize recovery systems or use less valuable water sources as an alternative.

Timing & scope: achieve 10% reduction in 2003, rising to 20% in 2005 in all EU sites (reference year 2000).

Total precious water use for the EU sites slightly increased from 4,470,000 m^3 in 2004 to 4,686,000 m^3 in 2005 (figure 2). Total water use in 2005 was at 9,641,000 m^3 compared to 8,730,000 m^3 the previous year. This increase is mainly due to higher consumption at the Overpelt site.

During the period 2000-2005, total water consumption decreased by nearly 18%, however, Umicore was not able to meet its reduction target for precious water consumption, reaching a 12% reduction instead of 20%.

Objective 3

At Group level, Umicore strives to respect the climate change /CO_2 objectives, by increasing its energy efficiency, by recycling and by using other means of reducing CO_2 emissions.

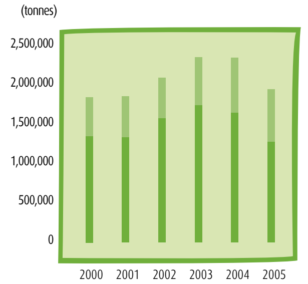
Timing & scope: achieve the country-specific and general CO_2 emission reduction targets for the reference period 1990-2010 in all EU sites.

The total CO_2 emissions decreased from 668,143 tonnes in 2004 to 618,680 tonnes in 2005. However, the CO_2 emissions per tonne of metal produced increased to 490 kg in 2005, from 468 kg in 2004 (figure 3). As part of the zinc smelting rationalization there was a significant reduction of total zinc produced while a significant increase of metal production occurred at the site in Hoboken. The high level of energy required for production at Hoboken has impacted the CO_2 emissions per tonne of metal produced.

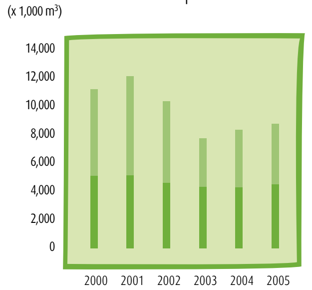
It is important to note that, due to the variability in production volumes in the different business segments, it is very difficult to draw any conclusions on the trend in the aggregated energy efficiency ratio of all the EU sites.

Only the Flemish sites of Hoboken, Balen, Olen and Overpelt and the Auby site in France are included in the EU Emission Trading Scheme. All these sites have received their emission rights for their forecast production in 2005, 2006 and 2007.

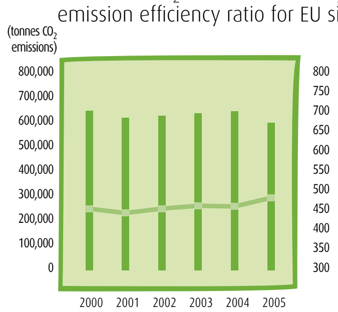
1
Total quantity and nature of materials consumed in EU sites



2
Water consumption EU sites



3
Calculated CO_2 emissions and CO_2 emission efficiency ratio for EU sites

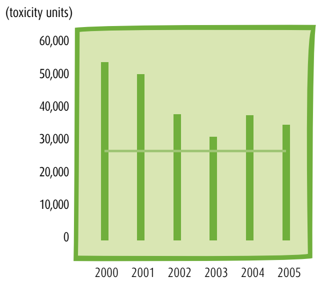


Jube Avelino R. Foronda and Alfonso Mauricio supervizing the recovery of solids at a settling pit in Subic, Philippines

4a
Total metal emissions to air in EU sites

Total emitted metals to air
Target

4b
Toxicity units emitted to air in EU sites



Toxicity units emitted
Target

Objective 4

In Europe, Umicore will reduce by 50% its emissions of metals from process sources measured in "total load" and in "impact".

Timing & scope: Reach a 50% reduction in overall emissions to air and water at Umicore Group level by 2005 (reference year 2000) in EU.

Air

After an increase in 2004, Umicore was able to again reduce its total metal air emissions. Indeed, in 2005 Umicore sites emitted 28,139 kg metals into air compared to 29,938 kg in 2004 (figure 4a) or a reduction of about 6%. The emitted toxicity units followed the same trend as the metal air emissions (figure 4b).

The decrease in metal emissions to air is mainly due to specific actions at the sites in Hoboken and Overpelt to control the higher emissions registered in 2004.

In Hoboken, air emissions of lead and selenium decreased by more than 1,500 kg due to an intensified preventive maintenance of the emission points. The site in Overpelt was able to eliminate incidents previously experienced with the bag filters of the zinc powder and Zamak® production plants. This resulted in zinc emission to air of only 345 kg, down from more than 5,000 kg in 2004.

On the other hand, because of a more accurate sampling strategy at its zinc refinery, the Balen site reported an increase in zinc emissions to air of about 3,500 kg.

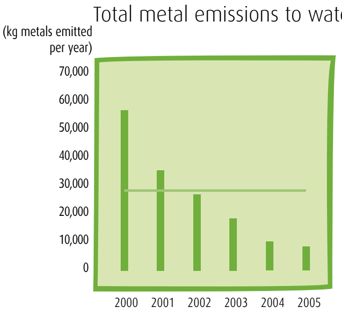
Over the period 2000-2005, Umicore achieved a reduction in metal air emissions of 38% compared to a target of 50%. In the coming years, Umicore intends to focus attention on further reducing metal air emissions. In this context, emission control and reduction are key elements of the new objectives for the period 2006-2010 (see pages 44-45).

Water

The 2005 data show another significant decrease in metal emissions to water. Total water emissions decreased from 59,013 kg in the reference year 2000 to 8,835 kg in 2005 – a reduction of 85% (figure 4c). Over the same period, toxicity units decreased by 82% (figure 4d). These reductions were for more than 95% achieved at the Auby site.

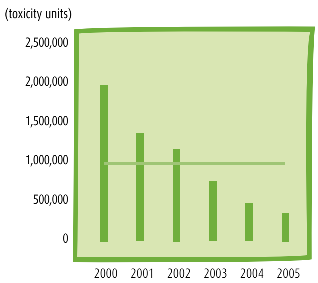
These results far exceed the established targets for the period.

4c
Total metal emissions to water in EU sites



Total emitted metals to water
Target

4d
Toxicity units emitted to water in EU sites



Toxicity units emitted
Target

Objective 5

Umicore's industrial operations should implement an environmental management system and obtain ISO 14001 certification.

Timing & scope: achieve this objective in 2003 for all major industrial sites involved in recycling and in 2006 for all other sites.

Out of the 26 sites still in operation from the original scope, 17 sites have obtained ISO 14001 certification. These sites are:

- Hoboken, Balen, Overpelt, Angleur, Olen (cobalt extra fine powder and cobalt oxides production) and Umicore Oxide in Heusden-Zolder (Belgium),
- Eijsden (Netherlands)
- Auby, Calais, Bray-et-Lû and Viviez (France),
- Larvik (Norway)
- Maxton – cobalt products (USA),
- Fort Saskatchewan and Leduc (Canada),
- Shanghai (China),
- Padaeng Industry, Rayong site (Thailand).

In 2003, all major industrial sites involved in recycling had been awarded ISO 14001 certification. The deadline for this objective for the other sites is set for the end of 2006.

Outside the scope of this objective, 30 out of the 54 reporting sites are ISO 14001 certified.

The new objectives for the period 2006-2010 (see pages 44-45) will continue to focus on management system certification.

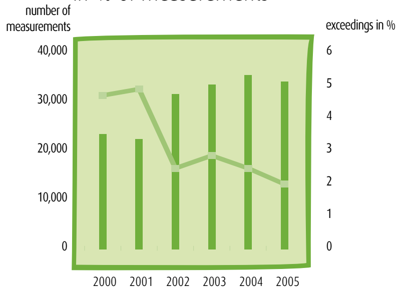
Objective 6

Implement an environmental management level with a target of "no notified violations", full compliance and an incident rate below the level of 2.5%.

Timing & scope: achieve full compliance within 3 years and reduce incident rates at both Group and site level to less than 5% in 2001 and 2.5% by 2005.

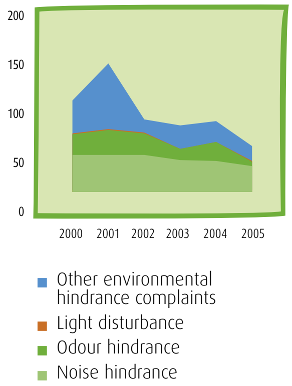
Umicore's operations within this scope conducted 35,246 measurements to evaluate compliance with the local regulation and/or permit requirements (figure 6). In total, 2.1% of those measurements exceeded the standards, down from 2.6% in 2004. With this result, Umicore has achieved its set target.

6
Evolution of excess rates in % of measurements



Mark Pauwels measuring emissions to air on top of the school in Moretusburg, next to the Hoboken site, Belgium

7
Total number of complaints



Objective 7

Implement an effective complaints management system and solve 50% of relevant complaints of local neighbourhoods.

Timing & scope: achieve a 50% reduction in the number of complaints by 2005.

In 2005, a total of 51 complaints were registered, compared to 80 complaints in 2004. The main reason for this reduction is the decreased number of complaints at the Olen and Hoboken sites (Belgium) (figure 7). Compared to 2000, a reduction of about 51% in received complaints has been achieved. As was the case during 2004, the vast majority of the complaints were registered at Umicore sites in the EU. A further focus on environmental management system certification will likely lead to better registration procedures at sites outside the EU.

Objective 8

Implement local environment communication plans and publish local environmental reports.

Timing & scope: implement local plans by 2003 and publish local environmental reports by 2005.

With regard to this Group objective, there was no further progress reported in 2005 compared to 2004. In 2005, 13, mainly larger, sites published a local environmental report.

Under the new Group objectives for 2006-2010 (see pages 44-45), each site will have to implement a policy dealing with accountability to the local community which may include the publication of a local sustainable development report.

Virgilio S. Manzano separating organic and aqueous solutions in Subic, Philippines

ISO 14001 certification at Subic

Umicore's Subic plant in the Philippines, located close to a former US Naval base, produces a range of cobalt and nickel chemicals. The operation was acquired by Umicore from its founders in 2002.

In the frame of Umicore's environmental objectives, Umicore Specialty Chemicals Subic was challenged to implement a certifed ISO 14001 management system at the site no later than 2006.

The project started in March 2004 with the formation of the organizational structure of the Environmental Management System (EMS). All the workers were encouraged to join the ISO kick-off meeting giving them an overview of what the ISO project was, explaining the reasons behind it and encouraging everybody to take part in the project.

A preliminary audit and brainstorming on the environmental effects of the company's products and processes by the project team yielded a list of specific targets and objectives to be pursued in pollution prevention and control.

At first everything seemed somewhat vague and unattainable. After a while however, discussions on roles and responsibilities, training, implementation and maintenance of the EMS became clearer.

The pre-certification audit in December 2004 resulted in two incidents of non-compliance: one relating to procedures to identify environmental laws and another one to internal auditing. Appropriate action was taken.

The site passed the ISO 14001 certification audit in March, albeit with a list of observations and potential improvements. The personnel worked hard to comply and the first surveillance audit was passed in September 2005.

All employees of the Umicore site in Subic are proud of this collective achievement in a country where environmental compliance is a constant challenge.

Soil Remediation in Flanders

On 23 April 2004, Umicore signed a covenant with the local waste authorities (OVAM) and the Regional Minister of the Environment in the Flemish Region of Belgium by which Umicore committed to spend €62 million in the next 15 years to remediate the historical pollution at four sites and some surrounding residential areas. On top of this, a joint fund of €30 million (half of which was contributed by Umicore, the other half by the local authorities), was created to address remedial works in the surrounding environment over the next ten years. The full costs related to these efforts have already been provided for in previous years. During 2005, progress was made in soil remediation works at and around the four Flemish plants.

Plant facilities and surrounding residential areas

The covenant contains a clear agenda, with well identified priority projects and execution schedules for each site.

While the remedial action plan was initiated for the plant itself, the **Hoboken site** focused its efforts on the preparation of the clean-up activities of the adjacent Moretusburg residential area. The actual remediation work is expected to start in 2006.

At the **Balen site**, a major excavation programme was undertaken. The excavated material was used to complete the filling of the goethite pond and contributed to its definitive closure at the end of 2005. The work undertaken in Balen cost €3.8 million. The Balen plant has also advanced the planning process for the treatment of groundwater. In this regard, the necessary permit applications were submitted.

The **Overpelt site** took the opportunity to combine soil remediation with the closing of its goethite pond. All on-site excavation works were completed on schedule for €2 million and as empty space was still left in the goethite pond it was decided to keep the pond open in order to allow local authorities and OVAM to dispose of remediation material from public excavations.

The **Olen site** focused primarily on the perimeter of the plant. The soil and groundwater remedial action plan was submitted to OVAM for official approval.

Surrounding areas

The remediation of the Bankloop river in Olen, the first project to call upon the joint fund created under the covenant, was under preparation at the end of 2005 and awaiting final permits.

OVAM and Umicore are in the process of identifying and prioritizing the other areas that should be addressed using the resources of the joint fund. Four expert soil consultants were appointed to develop a detailed action plan for each identified land use: residential, natural, agricultural, industrial, recreational. The action plan describes in detail the risk assessment concept related to each land use, all identified exposure pathways, tools to be used in data gathering and the legislative context.

Timing and budget

By the end of 2005, Umicore had already executed projects totalling approximately €6 million. In 2006, the company expects to spend the same amount in order to fulfil its covenant engagements.

Cadmium issue in Flanders

In January 2006, The Lancet Oncology medical journal published an epidemiological survey for the first time associating environmental exposure to cadmium and the development of lung cancer. Umicore undertook an immediate review of this study in order to gain an in-depth understanding of the findings and to assess the relevance for establishing priorities in the rehabilitation projects in Flanders. For further information please visit Umicore's website and http://oncology.thelancet.com.

Soil Remediation in France

At Auby in northern France, following up on the acceptance of Umicore's remediation plan by the French environmental authorities (DRIRE), remedial works to identified, historical pollution were initiated on-site in 2005.

A previous risk assessment report had confirmed that the community blood lead level is within the average for France. However, as a precautionary measure, it was decided to excavate and replace the soil at the local school and playground.

During this process a key focus was on strong communication with regard to the planned soil remediation. These efforts were acknowledged by the local newspaper, l'Aubygeois:

"The pro-active approach of Umicore Auby, explaining to the people of the Asturies residential area what has been done, what will be done and which issues will be tackled, is a living proof of responsible management".

Two years ago Umicore also initiated a voluntary risk assessment of its entire facility in Viviez, France. While Umicore continues to manufacture building materials, the vast majority of the 150 year-old plant is no longer operational. The voluntary Detailed Risk Assessment Report (EDR) was submitted to the local authority in March 2005; since then Umicore has been pursuing the development of the remediation programme that will permit perennial control of soil and groundwater contamination.

Umicore is embarking on a remediation programme to deal with historical soil and groundwater pollution at its Viviez site in France

Group Environmental Objectives 2006-2010

In 1999 Umicore defined eight Group environment objectives for the period 2000-2005. A review of the performance against these objectives can be found in this report on pages 36 to 40. These objectives were set at a time when the composition and size of the Group was very different from today. As a result the relevance of the targets set in 1999 is less significant.

Through a process of internal consultation and with the contribution of external parties, Umicore has agreed on five new environmental Group objectives for the period 2006-2010. These objectives are in line with the principles of "The Umicore Way" and consistent with the reporting guidelines of the Global Reporting Initiative®. The objectives offer flexibility for the various sites to contribute at their own pace to the overall 2010 target. During 2006 a baseline measurement against the objectives will be carried out and further progress will be reported each year thereafter.

The following section summarizes the five new objectives and the indicators that will be used to measure progress.

Objective 1

All industrial sites are to implement improvement plans based on BAT ("best available techniques balancing the costs to the operator against benefits to the environment") for all types of point sources to air and water from process operations.

- For those sites with metal emissions to air and water above 1 tonne / year a numerical target based upon BAT is required.
- Where relevant, industrial sites must demonstrate continual improvement in the control of diffuse sources.

The Key Performance Indicators that will be used are the main emission data for the Group and the number of improvement plans versus the numbers of plans required.

Objective 2

All industrial sites will implement an independently certified environmental management system.

All sites have to comply with the applicable laws and regulations and company standards and monitor their compliance regularly.

Progress in implementing a certified environmental management system and the number of fines and prosecutions due to environmental non-compliance are defined as Key Performance Indicators.

Objective 3

All industrial sites are to assess the nature, extent and related risk of the impact that their current and past activities are causing or have caused to soil and groundwater. For those sites where significant risks have been identified remedial actions should be initiated by the end of 2010.

Progress on the number of impact assessments is the Key Performance Indicator.

Objective 4

All sites (including office buildings) must have an approved and implemented energy efficiency plan.

For sites with energy consumption above 75,000 gigajoules per year, a numerical target based upon BAT ("best available techniques balancing the costs to the operator against benefits to the environment") is required.

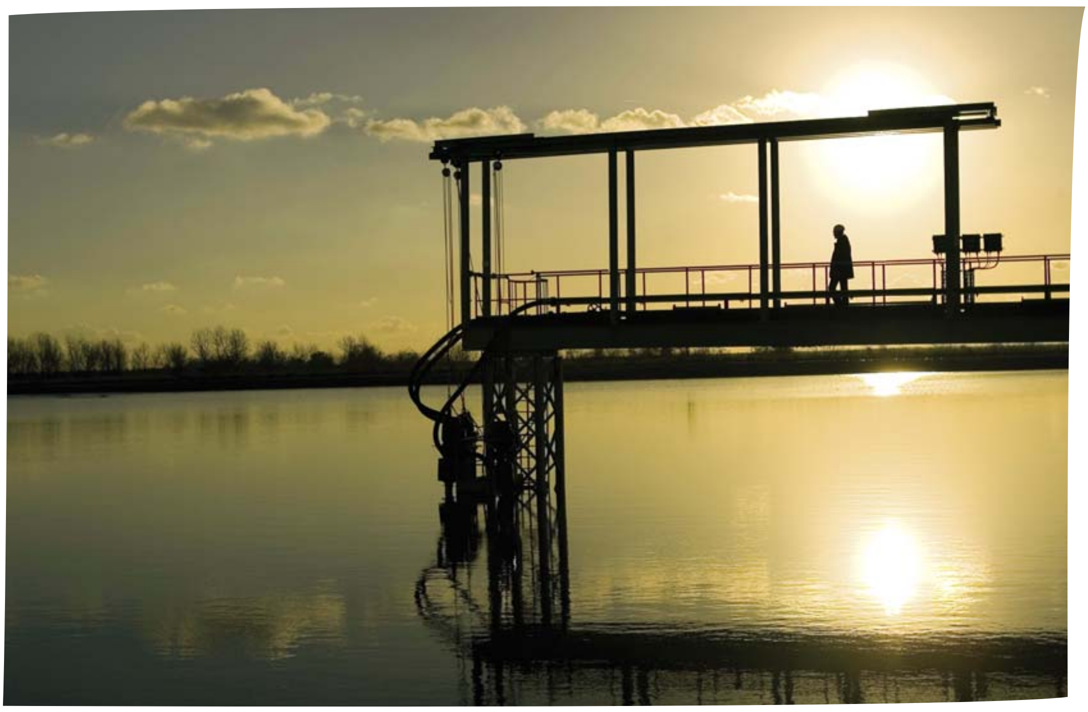
Total primary energy consumption and the implementation of energy efficiency plans are the Key Performance Indicators.

Objective 5

All business units are to have a basic EHS data set available for all their products.

Umicore wants to use valid data and sound science as the basis for all risk assessments. The basic EHS data set comprises at least the minimal physicochemical, toxicological and ecotoxicological properties to derive a proper hazard communication.

The number of basic EHS data sets will be reported as the Key Performance Indicator.



New compacting technology has been used to ensure that the life of the goethite residue ponds in Balen, Belgium, can be extended

In line with international guidelines and its own internal code of conduct, Umicore seeks business partners which operate to acceptable social and environmental standards. The company continues to source some cobalt-bearing raw materials in the Democratic Republic of Congo. Suppliers, however, have to adhere to a specific code of conduct and are regularly subjected to audits by the company. Here, Christophe Zyde (General Manager Cobalt/Nickel Supply) and Marc Van Sande (Executive Vice-President Advanced Materials) discuss operating plans with a local supplier.

we work

Social Report

Human Resources

In the Social Report, some of the major human resources challenges and projects are highlighted on the first two pages. The subsequent pages introduce the new Group-wide Social Objectives, illustrated with some case studies and a focus on the 2005 People Opinion Survey results. The social report ends with an overview of the safety and occupational health performance of the company.

Talent management

In 2005, Umicore carried out a Group-wide talent management review involving all 1,400 managers around the world. Managers provided updated career profiles and also gave input on their aspirations and mobility. 45 Career Review panels were set up covering each of the business units and facilitated by the regional human resources teams. The results were consolidated in Career Review panels at Group level where succession planning scenarios for key positions were discussed. Feedback was then given to each manager and development plans drawn up.

One of the special characteristics of the talent management process within Umicore is the fact that it starts with the input of the people themselves and results in open feedback in line with the company's value of openness. The process will be repeated in 2007.

The outcome of the talent management review allows the company to be proactive in guiding internal mobility and developing the next generation of leaders of the company. Mobility is also a key enabler for further integrating the different entities of the company.

Cumerio demerger

The creation of Cumerio provides a good example of the validity of Umicore's approach to talent management and succession planning. The new company was able to start out with the right mix of talent relating to the challenges and opportunities it would be facing. It was also able to gain rapid independence from Umicore's management support functions. The transfer of a number of senior managers from Umicore to Cumerio created career opportunities for others within the Umicore organization. The demerger was carried out without the need to resort to external recruitment at management level. In total, 1,580 people left Umicore to join Cumerio at the end of March 2005.

Restructuring of Zinc Specialties

On 21 February 2005, Umicore France announced to the members of the Central Workers' Committee its intention to close the site in Calais and to reduce the capacity at Auby. The outcome was a reduction of the overall cathode production capacity and a reorganization of the capacity of the foundries. This was the start of a long and intense dialogue to reach a mutually acceptable outcome.

In all, 42 meetings were held (14 at country level and 14 at each of the two sites during the seven month duration of the procedure). Intermediate working meetings were also held in order to make detailed in-depth analyses respecting the specificities of each site. The result of these discussions was that 173 of the 198 employees affected by the restructuring were able to find a solution within three months of the announcement; some found alternative employment within or outside the company, others left voluntarily while others went into early retirement. At the time of writing, most of the cases of the remaining 25 employees remained unresolved.

International HR organization

2005 was a year of consolidation for Umicore's new HR organization. A new structure was adopted in 2004 that organizes human resources management into seven regions. Each of these regional centres supports the country and site HR teams in that area of the world. During 2005, the HR Greater China team laid the foundations of HR management in this region that is in line with Umicore processes. HR USA unified all the different plans for social security and pensions which existed in the different Umicore entities in the country, so that all employees can benefit from the same level of protection.

The HR organization also created the position of an expatriation manager at corporate level, in order to obtain a better co-ordination of international mobility throughout the Group.

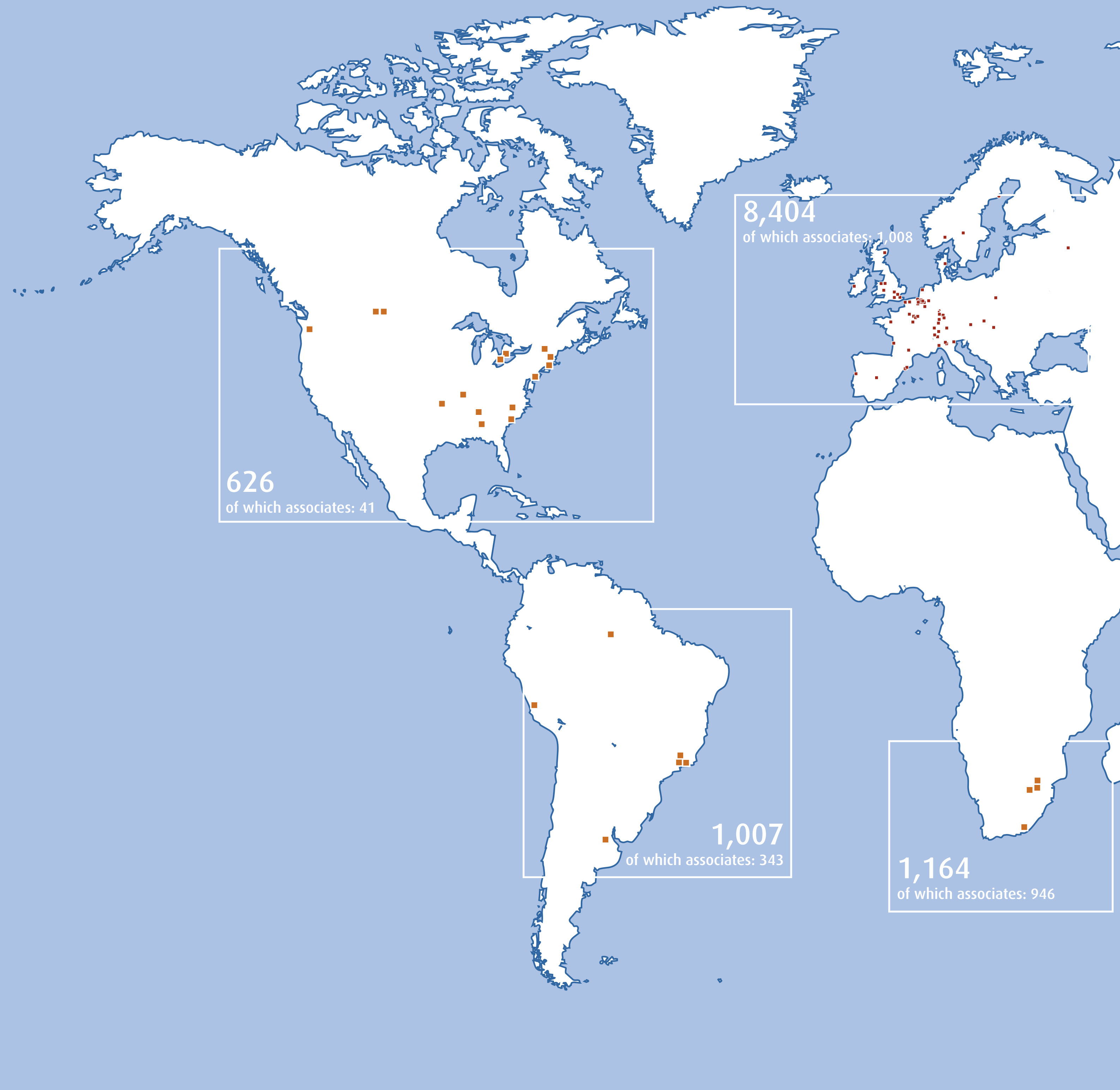
International training

The business units and production sites are the key actors in functional and technical training, whereas the regional and corporate human resources teams take the lead in organizing managerial training.

The year 2005 was a transition year in organizing the training process in Umicore. Following the outcomes of the people survey and talent management process, new training modules were devised. For junior and middle managers the regional HR teams organize training modules to integrate newcomers, to develop the skills relevant to certain levels of responsibility and to foster sound people management principles. For senior managers, Corporate HR organizes international seminars on leadership development and a broad development programme in line with the needs of individual career development. These Group-wide programmes also serve to promote internal networking throughout the Umicore organization.

Language training (such as this session in Manaus, Brazil) is an increasingly important consideration as Umicore grows internationally

International Presence & Workforce



Umicore presence

	Production sites	Other sites	Workforce
Europe			
Austria	1	-	120
Belgium	8 (1)	1	3,540 (56)
Denmark	-	1	11
France	10 (2)	2	1,387
Germany	6	2 (1)	1,863 (25)
Hungary	-	1	7
Ireland	1 (1)	-	569 (569)
Italy	1	3 (1)	74 (10)
Liechtenstein	1	-	86
Netherlands	2	-	112
Norway	1	-	56
Poland	-	1	11
Portugal	1	1	48
Russia	-	1	5
Slovakia	1	-	23
Spain	-	2 (1)	16 (2)
Sweden	2 (1)	1	292 (257)
Switzerland	1	2 (1)	59 (26)
United Kingdom	3 (1)	4 (1)	125 (63)
Asia / Pacific			
Australia	1		48
China	6 (3)	9 (6)	1,464 (1,065)
India	-	2	10
Japan	3 (2)	2 (1)	100 (15)
Malaysia	1	-	59
Philippines	1	-	172
Singapore	1	-	23
South Korea	2 (1)	1	206 (125)
Taiwan	1	2 (1)	27 (5)
Thailand	4 (3)	1	832 (766)
Americas			
Argentina	1	-	17
Brazil	3	1 (1)	653 (6)
Canada	3	-	248
Peru	1 (1)	-	337 (337)
United States	11 (1)	1	378 (41)
Africa			
South Africa	2 (1)	1	1,164 (946)

Figures in brackets denote “of which associate companies”.
Where a site has both production facilities and offices
(eg Hanau, Germany) it is classified as a production site only.

Group Social Objectives 2006-2010

Umicore agreed on five social objectives for the period 2006 – 2010 through internal consultation and with the contribution of external parties. The Global Reporting Initiative® guidelines for sustainable development reporting were used in devising these indicators. The new objectives offer flexibility for each site to contribute at its own pace to the overall 2010 performance targets, except for Social Objective 5 (Human Rights), where the achievement date is 2006. During 2006, a baseline measurement against the objectives will be carried out and further progress will be reported in the coming years.

This chapter contains the following information on each of the five social objectives: their definition, the Key Performance Indicators for measuring progress and some examples of actions that took place in 2005, illustrating current practice within Umicore.

Objective 1

All industrial sites must develop and implement a local plan to address **accountability to the local community.** This plan must identify relevant stakeholders and determine the process through which to address stakeholder concerns, as well as set out the voluntary initiatives towards the local community in which the site wishes to engage.

The Umicare programme in Port Elizabeth, South Africa, focuses on providing educational help for children

The Key Performance Indicator that will be used for monitoring progress is the number of industrial sites that have implemented a local plan versus the total number of industrial sites.

As an example of local community dialogue, in 2005 nine sites published their own environment and safety reports highlighting local EHS performance as well as issues of interest to the neighbourhood community, customers, visitors and other local stakeholders.

Open days are also an interactive way to communicate with local communities. In 2005, several sites conducted open days. In October, Umicore Precious Metals Refining opened its Hoboken plant to more than 1,600 members of the public to demonstrate its recycling technology and show how sustainable development can be practised in an industrial context. This open day ran in parallel with a forum organized by Belgian Secretary of State for Sustainable Development, Mrs Els Van Weert, at which specific initiatives were demonstrated to the public. Umicore's CEO Thomas Leysen participated in a panel discussion with government officials and civil society groups at the end of the session.

Umicore Olen organized year-round guided tours based on the theme "Umicore in the Picture" which allowed more than 700 people from schools and associations to visit the site; it also organized a guided tour for more than 100 partners and sponsors of the UMICAR solar vehicle. On 25 November, the Building Products plant at Viviez (France) opened its doors to celebrate the 150th anniversary of the plant.

In 2005, Umicore launched the **Umicare** programme in order to encourage business units to engage in projects which benefit their local communities by contributing financial support or staff volunteer time for specific projects. Two projects that are part of the Umicare programme – one in South Africa and one in Brazil – are highlighted below.

Umicore's Automotive Catalyst plant in Port Elizabeth, **South Africa,** together with joint venture partner IDC, was looking for a unique approach to reach out to disadvantaged young people. By focusing on education Umicore and IDC were able to play a positive role in improving the prospects of young people and to do so in line with the social reform programme in South Africa.

The project is providing a number of children with a tertiary education that qualifies them for a professional career. In return, the "**Umicare kids**" are challenged to excel in their studies and social behaviour. The programme is being run with the co-operation of the Eastern Province Child & Youth Care Centre. The project rented a building and converted it into a house: a safe and suitable environment for the students to live and study.

Intensive tutoring for each student was organized in order to overcome shortcomings in their earlier education. As a result of joint efforts, all five students improved their marks in school allowing one girl to progress to take the High School Diploma and another one to start her tertiary education in January of 2006. The children are supported in making career decisions and help in selecting the most suitable education programmes. Besides the academic programme, some members of the Automotive Catalyst plant staff have shown great commitment in setting up various social activities for these children.

Umicore staff with the children and carers at the day-care centre in Koh Lanta, Thailand, which was rebuilt after the 2004 tsunami using donations from Umicore and its employees

Now that the first phase of the programme has been running for more than a year, a second phase was approved to set up a classroom and designate a private teacher for 12 elementary school children from severely disadvantaged family backgrounds. In a "bridging class", these pupils will be provided with the basic skills in reading, writing and arithmetic in order to provide them with more equal opportunities once they return to their schools a year later.

Umicore Brazil took the initiative to launch a project to sponsor sports activities for 100 children, living close to the plant and offices in Guarulhos (Sao Paolo). Living conditions in the neighbourhood of the plant are poor. Together with the County Government, Umicore's staff launched the project: Vida Melhor (Better Life) at the end of 2004. Deprived children from the local neighbourhood can practise soccer and volleyball in partnership with the City Hall.

In January 2005, immediately after the **tsunami in South-East Asia,** all Umicore sites worldwide organized fundraising collections. This gesture enabled €77,000 to be raised, including a corporate donation. It was decided to focus the spending of the donation on Thailand, the country in the stricken area where Umicore has the most extensive presence. The funds were primarily used for a reconstruction project in a fishing community in Koh Lanta (Krabi, South Thailand). With the assistance of the Umicore staff in Thailand, two houses were rebuilt: a community house and a day-care centre. The community house is for the wives of 30 fishermen to practise handicrafts and bake crab cakes for tourists. This activity allows them to supplement their family incomes. The day-care centre accommodates 80 children from 3 to 5 years old. The project also invested in equipment for the two buildings.

Eillen R. Faelmoca and Rhina R. Alino discussing employee leave policy in the Human Resources Department at Subic, Philippines

Objective 2

All sites must develop and implement a local plan to be a **preferred employer.** Taking into account the local culture and labour practices, this plan should strive to: retain our employees, create a positive image towards future employees and encourage our employees to develop their careers.

Three Key Performance Indicators have been identified for measuring progress on this objective: the number and ratio of sites that implement a local plan; the number and ratio of employees who decide to leave the company and the rate of absenteeism.

Umicore has a historically **low number of employees voluntarily leaving** the company. The results of the 2005 people survey confirm this trend: the percentage of employees who indicate that they are considering leaving the company is lower than that in the benchmark companies (see page 59).

At the end of 2005 Umicore was selected by the Corporate Research Foundation as one of the top 32 "**Best companies to work for**" in Belgium. Umicore can use this recognition during 2006 in recruitment campaigns.

At country or site level, the company is involved in networking with local schools and associations to present Umicore as an **attractive employer.** For example, Umicore hosted the DGM day (German Association of Materials Science) in the Hanau Area (under the name of "Materials Valley") and also participated in an off-site "Recruiting Day" of the VDI (Association of German Engineers).

In Belgium, Umicore sponsored the Eye Conference of the Chamber of Engineers, at which final year students and young academics meet companies looking to recruit engineers. Many sites organized visits from schools and universities as a way of acquainting students with the company's activities.

Objective 3

All sites must develop and implement a local plan for **constructive internal dialogue and open communication.** Taking into account the local culture and labour practices, this plan should strive to: value the feedback from employees; enhance participation in the regular Group-wide people surveys and ensure adequate follow-up actions; appraise employees regularly; ensure constructive dialogue with employees and their representatives.

Two Key Performance Indicators have been identified for measuring progress on this objective: the number and ratio of sites that implement a local plan and the total number of days lost through strikes.

70% of Umicore's workforce participated in the 2005 people survey, showing a clear willingness to participate in a dialogue with the company.

In many sites, regular work councils are organized in order to discuss the work organization on the site. In Germany, meetings of the Wirtschaftsausschuss (works council) are organized at which the company informs the employee representatives about the performance not only of the German units but also of developments in the broader Group. In Belgium, plenary works council meetings are organized at which all sites are represented. At European level a European Works Council meets at least once a year.

At sites where no official employee representatives are present, a direct dialogue between management and all employees is encouraged. The Automotive Catalyst plant in Burlington, Canada, for example, organizes "Town Hall Meetings" where discussion points include items such as: safety and the environment, business updates, discussion of the results, people information, projects and upcoming events. Employees who have joined since the previous Town Hall Meeting are introduced, followed by an open discussion where employees can ask questions or raise suggestions and concerns.

In 2005, some of the Belgian sites registered several one-off strike days linked to wider protests against government plans in those countries to increase the minimum age of retirement. The Zinc Alloys business unit also encountered strike days mainly linked to the downsizing plan relating to this unit. Total strike days numbered 5,110.

Objective 4

All sites must develop and implement a local plan to encourage **learning and development** of our employees.

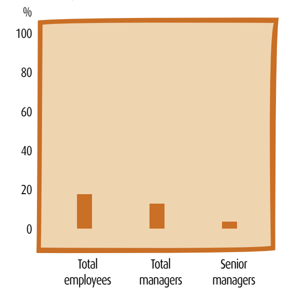
Two Key Performance Indicators have been identified for measuring progress on this objective: the number and ratio of sites that implement a local plan, and the average number of training hours per employee.

Besides the international training programmes mentioned on page 49, many local training initiatives are organized at a local level. For example, the period leading up to the opening of the new Automotive Catalysts plant in Suzhou, China, involved not only a significant investment in locally-run technical training but also an important focus on team building. The Belgian sites of Balen and Overpelt also organized a team building event on the site of a former coal mine in order to increase safety awareness and foster team spirit. In Brazil, all managers and supervisors participated in an intensive leadership seminar which included outdoor exercises.

The total training effort in Umicore resulted in 3.5 days of training per person in 2005.

Some sites also organize special apprenticeship programmes in order to give training opportunities to young people. These apprentices are not Umicore employees. An example is the Berufsausbildung im Dualen System scheme at Schwäbisch-Gmünd, Germany. In Hoboken and Olen, Belgium, a scheme is in operation to provide opportunities for young people who have experienced difficulties in the regular schooling system.

Proportion of workforce female



Objective 5

All sites must develop and implement a local plan to apply the Group policies for **equal opportunity and diversity, respect of Human Rights** and Umicore's Code of Conduct.

One Key Performance Indicator has been identified for measuring progress on Objective 5: the number and ratio of sites that implement a local plan.

In 2004, Umicore developed and communicated its **Code of Conduct,** which became effective as of January 2005. The code has been translated into 16 languages and most sites organized special information or training sessions to introduce its content. In some sites and countries the code was formally signed or included as a part of the employment contract. Compliance and whistle-blowing procedures have been implemented both at local and corporate level. The content of Umicore's Code of Conduct is available on www.governance.umicore.com. On the opposite page you will find a case study that shows how Umicore also encourages its suppliers to apply similar standards.

In 2005 Umicore developed and adopted a formal **Human Rights** policy. By September 2006 all sites will be required to demonstrate compliance with this policy. There are no significant obstacles expected and the results of compliance will be published in the 2006 report.

Umicore's Code of Conduct includes a chapter on **equal opportunities.** Men make up the majority of the workforce; only 18% of the employees are female, and these female workers are found primarily in commercial and administrative functions (source: the responses to the people survey). The proportion of females is even lower at management level (13%) and senior management (3.5%). This phenomenon is partly related to the link between academic studies and chosen profession: men have traditionally made up a significant proportion of engineers or those holding PhDs in chemistry and metallurgy. In recent years there has been an improvement in the balance and in 2005 more than one fifth of recruited managers were female. This trend is expected to lead to a larger proportion of female managers including those at senior level. Some countries, such as China are evolving much faster than others in this respect.

The initiative at the Hanau site (Germany) which participated in a "Girls Day" is an example of how the company seeks to increase the proportion of female managers. This initiative, which was set up by the German government, employers' associations, unions and companies, aims to motivate girls to take part in apprenticeships in production and technology which have traditionally been functions filled by men.

View on an open pit mine in the Democratic Republic of Congo

Code of conduct for suppliers

Umicore's Code of Conduct states that the company seeks business partners whose policies regarding ethical, social and environmental issues are consistent with its own.

In this context, management put special attention on the cobalt supply from the Democratic Republic of Congo (DRC). The DRC is an important supplier of cobalt raw materials and Umicore sources part of its cobalt needs from suppliers in the country.

The Congolese government has adopted a new Mining Code, the aims of which are to improve the investment climate and the development of the mining sector in the DRC. The Code also aims to tackle the problems of illicit mining and export of raw materials.

In order to ensure the application of the Mining Code in its supplier relationships, Umicore has elaborated a code of conduct for the supply of raw materials from the DRC. In this code of conduct, Umicore's suppliers commit themselves to comply with all applicable laws and regulations and in particular to ensure possession of all required permits and authorizations and compliance with all tax and export laws and regulations. They also agree to the application of high ethical standards in all dealings with the authorities; to confine operations to mining areas where the necessary activity permit has been granted; to ensure that, in all its mining and industrial concessions, any form of child exploitation is prohibited, that all working conditions are safe, that the environmental impacts are managed properly and that all persons are treated fairly and in particular receive a fair wage.

Umicore only deals with operators who agree to these terms. The internal audit team of Umicore has conducted regular supplier audits in the DRC and Umicore commits to halt business with any company which is not able to demonstrate compliance with the code. One company was removed from Umicore's supplier list in 2005 as a result of this audit process. In the case of minor infractions a plan to help improve the supplier's operational practices is agreed and followed-up.

Umicore involved a number of NGOs and other external parties in formulating this approach. Union representatives from the DRC were also welcomed to Umicore's Olen plant in Belgium as part of their training programme. So far customers have shown a high level of interest in Umicore's approach to this issue.

Employee Opinion Survey

In 2005 Umicore completed its third worldwide employee opinion survey. In all, 65 sites in 28 countries participated in the survey, with an overall participation rate of 70%. Participation was facilitated by translating the questionnaire into 15 different languages and by organizing classroom sessions during working hours. The survey was processed by an external consultant in order to guarantee anonymity in the data processing and to allow valid benchmarking of the data. The survey consisted of over 100 items grouped in 13 categories, such as "leadership", "customer focus" and "empowerment". The results were communicated internally.

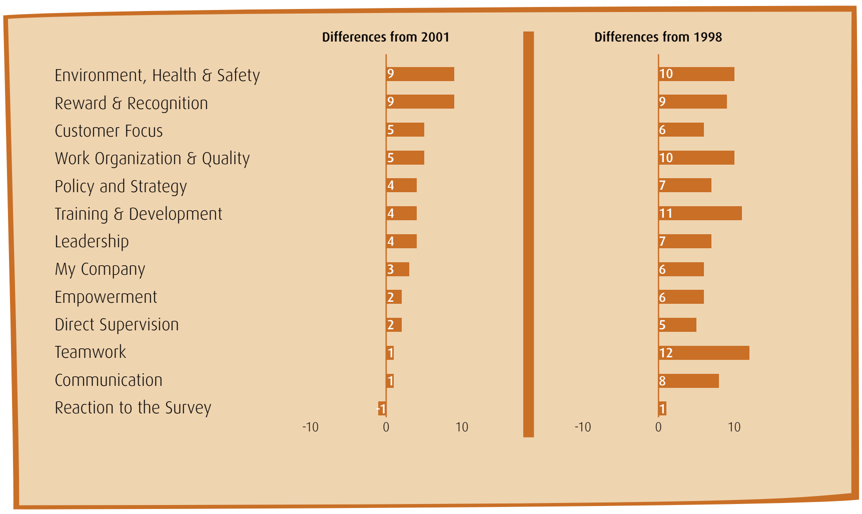
The **overall results show consistent progress** compared to the past (see graph below). All categories, with the exception of one, showed significant progress compared to the survey of 2001. The most marked improvement was made on "Environment, Health and Safety" (reflecting the additional efforts in this area in recent years) and on "Reward & Recognition". The cumulative progress, compared to 1998 is high in all categories, except "reaction to the survey", indicating an unchanged level of expectation of improvement as a result of the exercise.

The **impact of businesses acquired since 2001 (notably PMG)** contributed to the progress made compared to 2001. This reflects a positive impression of the integration process but also implies that the intrinsic progress made by some of the units which were already part of the Group pre-2001 is lower than average. This is especially true for the larger sites in Belgium and France. The survey results in the Americas and in Asia were above the Umicore average for Europe.

When comparing the overall results of Umicore with external benchmarks (Global Chemical Industry and Global High Performance Norm – a selection of companies combining good business performance with sound people management practice), it is evident that there is still **room for progress.** The main priorities in this regard have been set on "Leadership" and related categories such as direct supervision, teamwork, empowerment, communication and reaction to the survey. We observed that the management population of Umicore scored positively in these areas (in general, satisfaction of managers within Umicore is clearly ahead of international benchmarks) but that more effort is needed in order to create the same positive image towards other employees. Targeted training programmes have been designed in parallel with detailed action plans at unit and site level in order to improve this shortcoming. The effectiveness of these plans will be monitored in the next people survey in 2007.

The following graphs illustrate a number of scores and benchmarks on items that are linked with the five Social Objectives, outlined on pages 52-56.

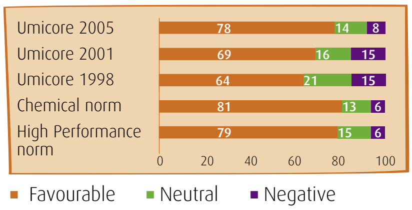
HISTORICAL COMPARISON vs. 2001 AND 1998



Accountability to Local Community

Umicore is a socially responsible member of the community

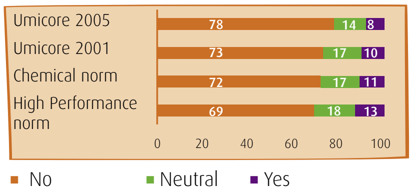
This item shows consistent progress. A gap still needs to be closed with the benchmarks.



Preferred Employer

Are you seriously considering leaving Umicore?

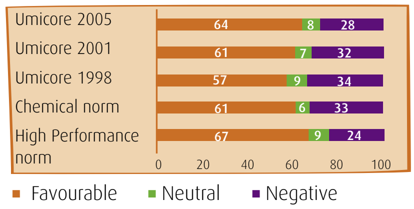
This item is illustrative of the relatively low employee turnover at Umicore (see also page 54). This score is also confirmed by another item "how satisfied are you with Umicore as an employer?" on which Umicore also scores higher than the two benchmarks (see also page 5).



Constructive Dialogue and Open Communication

There is sufficient contact between management and employees in my department

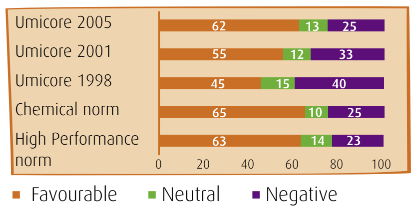
This item has improved, resulting in a score above the Chemicals norm but below the High Performance norm. Other items such as providing information on Umicore's performance show that there is still room for improvement in the quality and effectiveness of communication.



Learning & Development

New employees received adequate training for their job

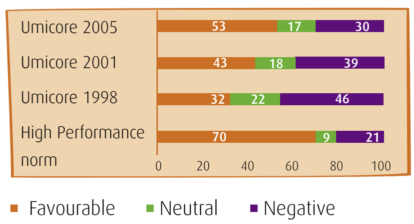
This item showed another significant improvement. The gap with the High Performance Norm has been closed. There remains a gap with the Chemical norm, however.



Equal Opportunity

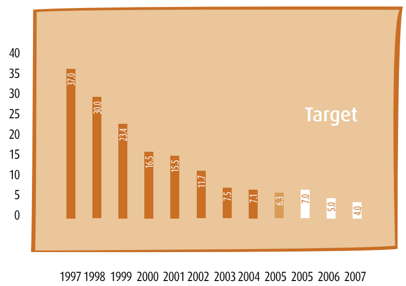
My unit actively supports equal opportunities for personal development and growth at Umicore

This item shows consistent, strong progress. There is no Chemical norm available, but the gap with the High Performance norm remains wide. It is possible that the perceived gap in equal development opportunity refers less to the traditional differences between gender or ethnic origin, but is more closely associated with the gap (especially in the traditional industrial sites) between the workforce and management in terms of base education and career opportunities. This may explain the gap between Umicore and the High Performance norm, which includes several service industries. Despite this gap, the increased technological complexity in most operations and the increased skill level of the workforce can explain the positive trend in this area.

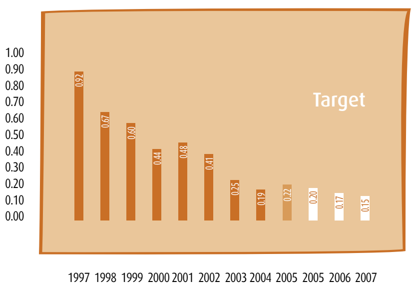


Occupational Safety

1
Frequency rate Umicore world-wide



2
Severity rate Umicore world-wide



2005 review

The number of days lost due to accidents increased in 2005, resulting in a severity rate of 0.22. This was compared to a 2004 severity rate of 0.19 and a targeted improvement to 0.20. A detailed accident analysis clearly indicated a higher number of severe accidents: in 2005, 63% of accidents resulted in time loss of 10 days or more compared to 53% in 2004.

Regretfully a contractor was killed during handling activities at one of Umicore's Chinese sites. As the scope of the safety performance data covers only Umicore employees this fatality is not included in the accident data.

Although the severity increased slightly, the number of lost-time accidents continued to decrease. Indeed, the 2005 frequency rate was 6.3 compared to 7.1 in 2004 and compared with a targeted improvement to 7.0.

A root cause analysis shows that further attention will be needed for behavioural issues, improved ergonomics and safety training. In 2005 nearly 30 accidents happened in situations not directly related to the job such as stumbling on steps and on-site traffic accidents. Each Umicore site has a tailor-made safety programme in place addressing key, site-specific safety issues. Promoting safe behaviour - both in the workplace and in the site in general – is a central part of these programmes.

The company is committed to further improve its Group safety performance and to the ultimate goal of accident-free workplaces. To that end, intermediate Group targets have been set for 2006 and 2007. All business units have set their own safety targets within the context of these overall Group targets.

Group Safety targets

	Frequency rate	Severity rate
2006	5.0	0.17
2007	4.0	0.15

From 2006, Umicore will initiate the collection of two additional Group safety indicators: an accident frequency rate for contractors and a frequency rate of all recordable injuries. This will improve Umicore's ability to understand contractor safety issues and will enhance the company's ability to analyze accidents and injuries which do not necessarily lead to lost work days. This information will be used to develop the next wave of Group safety objectives beyond 2007.

Scope

The safety performance indicators cover all the sites managed by Umicore. The safety data for Cumerio is included until the demerger at the end of April 2005.

The application of a 5S programme – sort, stabilize, shine, standardize and sustain – helped make the Coimpa site one of the safest in the Umicore Group with no lost-time accidents in 2005

OHSAS 18001 certification at Coimpa

In 2002, Coimpa (a subsidiary of Umicore Brazil located in Manaus, Amazonia) had the worst lost time accident frequency and severity rates of Umicore South America. The implementation of OHSAS 18001, in association with the introduction of a zero accident target, helped Coimpa to reduce its lost time accident frequency rate from 13.4 in 2002 to 0 in 2005 and its lost time severity rate from 0.84 in 2002 to 0 in 2005.

The main elements of the Coimpa Occupational Health and Safety (OH&S) Management System are:

- A clear statement of OH&S objectives and a commitment to improving OH&S performance;
- A detailed health and safety hazard identification, risk assessment and risk control;
- An identification of relevant legislation and other requirements;
- A clear definition of health and safety responsibilities of all personnel;
- A Health and Safety training and assessment of individuals, thereby ensuring the required levels of knowledge and competency;
- An OH&S Management System Review carried out at least once a year.

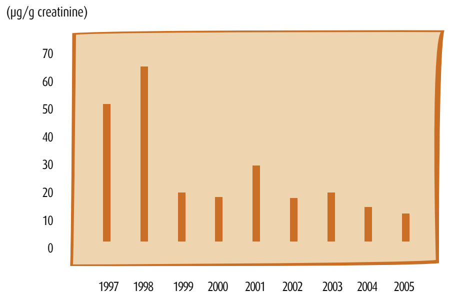
In 2005 Coimpa reached the landmark of 1,200 days without a lost time accident. This was celebrated with the local authorities, unions and the Minister of Work.

Coimpa was awarded the Industrial Service Association (SESI) "Quality at work" prize. This prize is a public recognition of Coimpa's actions on safety, health, environment and sustainable development.

In 2005 Coimpa was also certified according to the SA 8000 "Social Accountability" standard.

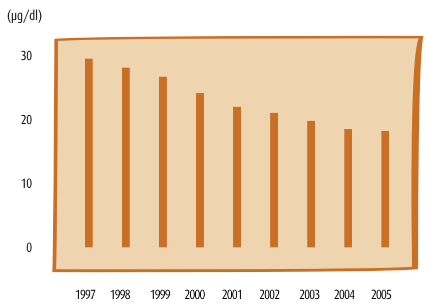
Occupational Health

1
Average cobalt in urine
at Umicore's Olen plant*

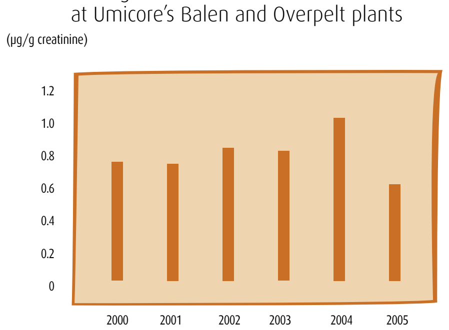


* Business Units Engineered Metal Powders and Specialty Oxides & Chemicals

2
Average lead in blood
at Umicore's Hoboken plant



3
Average cadmium in urine
at Umicore's Balen and Overpelt plants



2005 review

Umicore's objective is to eliminate occupational-related diseases and to promote well-being in the workplace. To that end, practices have been developed at various sites in recent years to reduce workplace exposure to hazardous substances (see Umicore Environment, Health and Safety report, 2002).

Compared with safety data, meaningful occupational health indicators, are more difficult to define, collect and aggregate at Group level. During 2005, Umicore launched a project with the aim of developing occupational health indicators relevant to the company's scope of activities. These indicators focus on three main areas: specific exposure at the workplace to hazardous substances, results of biological monitoring of selected substances and the number of new occupational diseases detected. For each of these areas a specific indicator has been defined including criteria giving additional guidance to the sites.

During 2005, a number of selected sites participated in a trial data collection process to validate the indicators. The new indicators will be integrated in Umicore's sustainable development data management system to allow for a more systematic data collection and reporting.

All main sites where metal exposure is an identified risk have implemented a biological monitoring programme. To illustrate these programmes, some key examples have been provided below.

For the Olen site the average cobalt in urine level was 10.2 microgrammes per gramme of creatinine compared to 12.6 microgrammes per gramme of creatinine in 2004.

The results of biological monitoring of lead in workers' blood at the Hoboken site showed a slight reduction in the average internal body concentration of 18.3 microgrammes per 100 millilitres of blood, compared to a level of 18.6 in 2004 and 29.7 in 1997. In 2005, 5.5% of the lead in blood measurements exceeded the set target of 36 microgrammes of lead per 100 millilitres of blood. The target level for 2006 has been set at 36 microgrammes per 100 millilitres of blood. When a worker shows a lead in blood level which reaches or exceeds this level, he / she is moved to another work setting as a precaution. It is Umicore's objective to further reduce this target to 30 microgrammes per 100 millilitres of blood in anticipation of future EU regulations.

The results of biological monitoring of cadmium in urine at the Balen and Overpelt sites showed levels of 0.61 microgrammes per gramme of creatinine. Cadmium in urine levels of employees formerly working in cadmium production are 2.83 microgrammes per gramme of creatinine (2004 data). Cadmium production was stopped in 2002.

In total three new cases of platinum salt sensitization were diagnosed - one at Umicore's site in Hanau and two at the Ibaraki site.

A standardized, Group-wide system for the reporting of biological monitoring data will be put in place in 2006.

Scope

The collected data are currently limited to specific sites as indicated in the text.

Controlling micro-sized powders

Umicore has developed a world leadership position in the production of very fine cobalt powders for various applications. The manufacturing of these micro-sized powders often generates workplace dust which presents a health hazard. While these issues were addressed in the past on a case-by-case basis, a coordinated approach was deemed necessary. Therefore, a "Cobalt Dust Management Programme" was initiated by the company for all cobalt plants.

The main objective of the programme is to reduce exposure to the lowest possible level. In February 2005, a manager was appointed to lead a task force composed of plant and health and safety managers from the various operating plants. As small size particles present challenges regarding measurement, a methodology for evaluating the dust exposure was developed and implemented taking into account the following parameters: particle size distribution, production capacity, number of workers exposed and biological monitoring history. Based upon the results of the evaluation, priorities were identified and a work plan established in order to control the risks. Assessments have been completed at the following facilities: Cheonan, Korea; Shanghai, China and Arab, USA.

The assessments identified key sources of exposures to cobalt dust and immediate action plans were developed, including specific timelines and budgets, in order to implement processing measures to minimize dust exposure. The effectiveness of the reduction measures will be evaluated by using cobalt biological monitoring and workplace measurements. It is the intention to finalize the assessments at all the cobalt manufacturing facilities and to achieve major improvements by the end of 2007.

Ju-Yeon Oh, lab chemist at Cheonan, South Korea, using titration to characterize the chemical properties of lithium cobaltite

Verification Statement – for Environmental, Health, Safety and Social Reporting

Scope

ERM CVS was commissioned by Umicore to provide independent assurance on the environmental, safety, health and social responsibility information and data contained in the Umicore in 2005 Report to Shareholders and Society (the Report). The objective of the verification was to establish that information presented is an accurate, reliable, balanced and transparent representation of performance. Furthermore, we have sought to understand whether Umicore prepared the report with reference to the reporting principles set down in GRI's 2002 Sustainability Reporting Guidelines.

We did not review the entire Report, only those sections specifically composed to comment on sustainability performance related to environmental, health, safety and social data. The Umicore Board is responsible for the Report.

Verification Approach

Our approach to this verification engagement involved detailed challenge of principles, selected document review, evaluation of data management systems and internal checking processes, random chain of custody audits for data, selected interrogation of source data and consolidated data, and interviews with both corporate and operational staff at all levels of the organisation.

The verification was conducted through a series of meetings at Umicore Headquarters in Brussels with corporate staff responsible for data collection systems and composing information and data. Substantiation of a sample of statements and claims has been undertaken and evidence sought where deemed appropriate. Our activities also included verification of source data and review of data management processes at individual sites.

ERM CVS verifiers visited eight sites globally: Bangkok (Thailand), Schwäbisch-Gmünd and Rheinfelden (Germany), Overpelt (Belgium), Acigne (France), Bratislava (Slovakia), Americana and Manaus (Brazil). Five sites were visited by Umicore EHS Corporate staff to conduct site specific verification activities: Covington and South Plainfield (USA), Leduc and Fort Saskatchewan (Canada), Larvik (Norway). The results of the Umicore site verification exercises were reviewed and challenged by ERM CVS.

Opinion

In our opinion, the information presented and the statements based on it give a balanced and fair interpretation of Umicore's sustainability performance for 2005. We are not aware of any material errors, omissions or misstatements in relation to the information presented by Umicore. A sample of sustainability related assertions, claims and statements have been substantiated by ERM CVS and found to be reliable. While the report does not claim to be in accordance with the GRI Guidelines at this time, nothing has come to our attention that would suggest the Report is inconsistent with the general reporting principles.

Recommendations

Umicore has, in the last 12 months, developed its strategy for directing and reporting on sustainability performance across its whole business portfolio for the next five years and potentially beyond. There is work underway in determining and collating data associated with social indicators and which will improve information coverage in this area. Guidance associated with delivering the new objectives is being developed and this will help to ensure that reasonable baselines are established that will provide comparable data for the future. It is also recommended that there is a continuation of the activities undertaken by Umicore to report on engagement with stakeholders including information on key issues and concerns. Finally, operating companies must continue to focus effort on internal assurance processes to increase the accuracy and reliability of data reported – it is anticipated that this will, in part, be supported by steps being taken globally to enhance data collection tools.

Brian Kraus – Chief Executive Officer
March 2006

ERM Certification and Verification Services
8 Cavendish Square
London
W1G 0ER
Telephone: 44 20 7465 7281
Email: post@ermcvs.com

Glossary

Biological monitoring: Assessment of the health risk and/or exposure of industrial chemicals, through the evaluation of the internal dose.

Greenhouse gases: Gases contributing to global warming such as CO_2, methane, etc.

ISO 14000: “International Standards Organisation” specification for environmental management systems (ref. ISO).

OHSAS 18000: “Occupational Health and Safety Assessment Series”, an international occupational health and safety management system specification.

Secondary raw materials: Secondary raw materials are materials that have ended their first lifecycle and are obtained from recovery operations.

Recovery: The collection of waste materials with the aim of returning them to the recycling process.

Recycling: The reprocessing, via a production process, of waste materials for the original purpose or for other purposes, including organic recycling but excluding energy recovery.

Risk assessment: The evaluation of the risks of existing substances to man, including workers and consumers, and to the environment, in order to ensure better management of those risks.

Sustainable development: Development that meets the needs of the present without compromising the ability of future generations to meet their own needs (ref. UN World Commission on Environment and Development).

Toxic unit: Formula to estimate total metal releases in terms of potential health or environmental impact.

Global Reporting Initiative® (GRI): The GRI is a long-term multi-stakeholder, international process whose mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines (extract from the Sustainability Reporting Guidelines, 2002).

Frequency rate lost time accidents: Number of lost time accidents per million hours worked. Accidents on the road to and from work are excluded.

Severity rate lost time accidents: Number of calendar days lost per thousand hours work. Accidents on the road to and from work are excluded.

Microgramme per gramme creatinine: Unit for the metal content in the urine.

EU Emission Trading System: A scheme for greenhouse gas emission allowance trading within the EU (see EU Directive 2003/87/EC).

Lost-time accident: A workplace injury resulting in more than one shift being lost from work.

Recordable injury: A workplace injury resulting in more than one first aid treatment or in a modified working programme but excluding lost-time accidents.

BAT: “Best Available Technique” to prevent or reduce emissions and the impact on the environment taking into consideration the costs ad advantages (see: EU Council Directive 96/61/EEC on Integrated Pollution Prevention and Control).

Financial definitions

EBIT: Operating profit (loss) of fully consolidated companies + Group share in net profit (loss) of companies accounted for under equity method.

Non-recurring EBIT: Includes non-recurring items related to restructuring measures, impairment of assets, and other income or expenses arising from events or transactions that are clearly distinct from the ordinary activities of the company. Metal inventory write-downs are part of the non-recurring EBIT of the business groups.

Recurring EBIT: EBIT - non-recurring EBIT - IAS 39 effect.

Recurring EBIT margin: Recurring EBIT of fully consolidated companies / revenues excluding metals.

IAS 39 effect: Non-cash timing differences in revenue recognition due to non-application of hedge accounting to transactional hedges, which implies that hedged items can no longer be measured at fair value.

EBITDA: EBIT + [depreciation & amortization + non-cash expenses other than depreciation (i.e. increase and reversal of provisions, inventory write-downs and write-backs, other impairment result) +/- IAS 39 effect] of fully consolidated companies.

Revenues (excluding metal): All revenue elements - value of purchased metals.

Return on capital employed (ROCE): Recurring EBIT / average capital employed where EBIT is adjusted for certain financial items such as securitization costs.

Capital employed: Total equity less fair value reserves + net financial debt + provisions for employee benefits.

Capital expenditure: Investments in tangible and intangible assets.

Cash flow before financing: Net cash generated by (used in) operating activities + net cash generated by (used in) investing activities.

Net financial debt: Non-current financial debt + current financial debt - cash and cash equivalents.

Recurring effective tax rate: Recurring tax charge / recurring profit (loss) before income tax of fully consolidated companies.

EPS: Earnings per share for equity holders.

EPS declared - basic: Net earnings, Group share / average number of outstanding shares - treasury shares.

EPS declared - diluted: Net earnings, Group share / [average number of outstanding shares - treasury shares + (number of potential new shares to be issued under the existing stock option plans x dilution impact of the stock option plans)].

EPS adjusted - basic: Net recurring earnings, Group share / total number of outstanding shares - treasury shares.

EPS adjusted - diluted: Net recurring earnings, Group share / [average number of outstanding shares - treasury shares + (number of potential new shares to be issued under the existing stock option plans x dilution impact of the stock option plans)].

Market capitalization: Closing price x total number of outstanding shares.

The above financial definitions relate to non-IFRS performance indicators except for EPS declared - basic and EPS declared - diluted.

GRI Index

Umicore has decided to use the recommendations of the Global Reporting Initiative (GRI) as the tool to guide the content of this report. This is the first time that Umicore has produced a report using the guidelines and as such this document serves as the reference for future reports.

Readers should be aware that new social objectives have been introduced in this report. It is intended to report against these objectives in the 2006 report.

The report has been written by Umicore's Communications, Investor Relations, Environment Health and Safety and International Human Resources departments in collaboration with the business groups and corporate departments.

For information on GRI please visit www.globalreporting.org.

GRI Reference	Indicator	Page
	General	
	Vision and Strategy	
1.1	Sustainability vision and strategy	Inside cover; 2-3
1.2	Chief Executive Statement	2-3
	Profile	
2.1-2.9	Organizational profile	Inside cover; 8-13; 14; 18; 22; 26; 52-53; 71; 116-119
2.10-2.16	Report scope	Front cover; 4; 32; 36; 62; 64; 70; 74; 81; 83; 91; inside back cover
	Report profile	Inside cover; 2-3; 64; 67-70; 109
	Governance structures and systems	
3.1-3.8	Structure and Governance	Inside cover; 110-127
3.9-3.10	Stakeholder engagement	54; 56; 119-121
3.11-3.12		59
3.13-3.20	Policies and management systems	Inside cover; 8-11; 39; 59; 63; 110-118

GRI Reference	Indicator	Page
	Economic performance indicators	
EC1, EC2	**Customers**	4; 9; 15; 19; 23; 27; 70; 82-83
EC3	**Suppliers**	11; 70
EC4		ND (data not readily available)
EC5	**Employees**	11
EC6	**Providers of capital**	11; 70-71
EC7	**Increase / decrease in retained earnings**	11; 70-71
EC8	**Monetary flow indicators**	11; 70; (geographical breakdown of taxes not disclosed)
EC9		ND (data not readily available)
EC10		11

GRI Reference	Indicator	Page
	Environmental performance indicators	
EN1-2	**Materials**	34; 37
EN3, EN4, EN17	**Energy**	33; 37
EN5, EN22	**Water**	34; 37
EN6-7	**Biodiversity**	35
	Emissions, effluents and waste	
EN8-10	Greenhouse gases, ozone depleting substances	33; 37
EN11	Total amount of waste	32; 34
EN12	Water	32; 38
EN13	**Significant spills**	42; 43; 45
EN14-15	**Products and services**	45; Umicore EHS report 2001 p.10-21
EN16	**Compliance**	33 ; 34; 39
	Social performance indicators	
	Labour practices and decent work	
LA1	Employment	4; 14; 18; 22; 26; 50-51; NR (employee turnover)
LA 2		NR
LA 12		11
LA3	Labour/ management relations	ND (data not readily available)
LA 4		48; 54-56
LA5-8	Health and Safety	60-63; Umicore EHS report 2002 p.4-17
LA 9	Training and Education	55
LA10	Diversity and opportunity	56; 58-59
LA 11		122-127
	Human rights	
HR1-3	Strategy and management	56-59
HR4	Non-discrimination	56
HR5	Freedom of association and collective bargaining	54; 56
HR6	Child labour	Covered as part of Umicore's Human Rights Policy, available on Group internet
HR7	Forced labour	As above
	Society	
SO1	Community	41; 52-53
SO2	Bribery and corruption	Inside cover; see also Umicore's Code of Conduct
SO3, SO5	Political contributions	121
	Product responsibility	
PR1, PR4-6	Customer health and safety	Umicore EHS report 2001 p.10-21
PR2, PR7-8	Products and services	Umicore EHS report 2001 p.10-21
PR3		NA

Key:
NA = not applicable
ND = not disclosed
NR = to be reported in 2006 report

Umicore Group
2005 Financial statements

Contents

Consolidated income statement

(€ thousand)

	Notes	2004	2005
Turnover	10	5,684,952	6,566,531
Other operating income	10	70,883	68,011
Operating income		***5,755,835***	***6,634,542***
Raw materials and consumables		(4,469,020)	(5,410,870)
Payroll and related benefits	11	(558,960)	(574,196)
Depreciation and impairments	10	(153,480)	(145,351)
Other operating expenses	10	(328,147)	(351,151)
Operating expenses		***(5,509,607)***	***(6,481,568)***
RESULT FROM OPERATING ACTIVITIES		**246,228**	**152,974**
Finance cost - Net	12	(41,891)	(33,974)
Income from other financial investments	13	(10,598)	214
Share in result of companies accounted for using the equity method	18	23,298	30,511
PROFIT (LOSS) BEFORE INCOME TAX		**217,037**	**149,725**
Income taxes	14	(45,914)	(15,874)
PROFIT FROM CONTINUING OPERATIONS		**171,123**	**133,851**
Profit (loss) from discontinued operations	38	21,328	20,776
PROFIT (LOSS) OF THE PERIOD		**192,451**	**154,627**
of which: Group share		177,917	142,200
Minority share		14,535	12,427

(€)

	Notes	2004	2005
Basic earnings per share from continuing operations	37	6.34	4.85
Total basic earnings per share	37	7.21	5.68
Diluted earnings per share from continuing operations	37	6.24	4.76
Total diluted earnings per share	37	7.09	5.57
Dividend per share		1.65	1.85*

(*) proposed

The notes on pages 74 to 108 are an integral part of these consolidated financial statements.

Consolidated balance sheet

(€ thousand)

	Notes	31/12/04	31/12/05
NON-CURRENT ASSETS		**1,109,357**	**1,188,400**
Intangible assets	15, 16	119,094	116,417
Property, plant and equipment	17	704,293	712,796
Investments accounted for using the equity method	18	167,234	179,982
Financial assets available for sale	19	16,156	31,016
Loans granted	19	4,924	5,324
Trade and other receivables	21	17,890	3,613
Deferred tax assets	22	79,766	139,253
CURRENT ASSETS		**1,724,212**	**1,748,525**
Current loans granted		113,881	4
Inventories	20	797,640	914,688
Trade and other receivables	21	661,505	717,713
Income tax receivables		9,342	9,570
Treasury shares		27,946	-
Financial assets available for sale	19	502	406
Cash and cash equivalents	23	113,395	106,143
Assets of discontinued operations	38	**699,767**	-
TOTAL ASSETS		**3,533,335**	**2,936,926**
EQUITY OF THE GROUP		**1,282,702**	**1,015,422**
Group shareholders' equity		**934,973**	**971,096**
Share capital		381,941	389,350
Share premiums		65,930	67,568
Retained earnings		597,575	678,811
Currency translation and other reserves		(110,473)	(136,055)
Treasury shares		-	(28,578)
Minority interest		**53,551**	**44,326**
Equity of discontinued operations	38	**294,178**	-
NON-CURRENT LIABILITIES		**808,239**	**653,506**
Provisions for employee benefits	27	197,837	217,874
Financial debt	25	407,472	250,429
Trade and other payables	26	2,032	1,780
Deferred tax liabilities	22	43,907	40,899
Provisions	29,30	156,992	142,524
CURRENT LIABILITIES		**1,059,000**	**1,267,997**
Financial debt	25	290,786	370,996
Trade and other payables	26	716,199	842,562
Income tax payable		25,910	17,370
Provisions	29,30	26,105	37,068
Liabilities from discontinued operations	38	**383,395**	-
TOTAL EQUITY & LIABILITIES		**3,533,335**	**2,936,926**

The notes on pages 74 to 108 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

(€ thousand)

	Notes	31/12/04	31/12/05
Profit from continuing operations		171,123	133,851
Adjustment for profit of equity companies		(23,298)	(30,511)
Adjustment for non-cash transactions	31	141,485	132,682
Adjustment for items to disclose separately or under investing and financing cash flows	31	64,198	40,082
Change in working capital requirements		(73,044)	(77,016)
Cash flow generated from operations		**280,463**	**199,089**
Dividend received		9,412	12,483
Tax paid during the period		(45,355)	(46,523)
Net cash flow generated by operating activities	31	**244,520**	**165,049**
Acquisition of property, plant and equipment		(140,509)	(142,765)
Acquisition of intangible assets		(5,085)	(1,802)
Acquisition of new subsidiaries (net of cash acquired)	9	18,089	(3,153)
Acquisition of additional shareholdings in subsidiaries		(674)	(4,831)
Acquisition of financial assets		(1,330)	(1,067)
New loans extended		(10,967)	132
Sub-total acquisitions		***(140,476)***	***(153,486)***
Disposal of property, plant and equipment		12,016	6,457
Disposal of intangible assets		47	103
Disposal of subsidiaries (net of cash disposed)		429	-
Disposal of financial fixed assets		655	1,065
Repayment of loans		1,480	113,952
Sub-total disposals		***14,627***	***121,577***
Net cash flow used in investing activities	31	**(125,848)**	**(31,909)**
Capital increase		1,216	12,795
Own shares		(4,645)	(3,096)
Interest received		15,431	8,677
Interest paid		(30,122)	(33,706)
New loans		611,953	102,218
Repayment of loans		(688,089)	(192,299)
Dividends paid to Umicore shareholders		(39,235)	(41,149)
Dividends paid to minority shareholders		(20,278)	(6,208)
Net cash flow used in financing activities	31	**(153,769)**	**(152,768)**
Effect of exchange rate fluctuations on cash held		(608)	7,323
Net cash flow from continuing operations		**(35,706)**	**(12,305)**
Net cash flow from discontinued operations	38	**54,794**	**(9,886)**
Total net cash flow of the period		**19,088**	**(22,191)**
Net cash and cash equivalents at the beginning of the period	23	124,277	104,427
Cash to discontinued operations	38	**(38,938)**	**9,886**
Net cash and cash equivalents at the end of the period	23	**104,427**	**92,122**

The notes on pages 74 to 108 are an integral part of these consolidated financial statements.

Consolidated statement of income and expenses recognized in equity

(€ thousand)

	Notes	2004	2005
Changes in financial assets available for sale reserves		-	9,301
Changes in cash flow hedge reserves		-	(137,809)
Changes in post employment benefit reserves		(8,498)	(40,504)
Changes in share-based payment reserves		1,385	1,869
Changes in deferred taxes directly recognized in equity		219	55,464
Changes in currency translation adjustments		(13,177)	59,399
Net income (expense) recognized directly in equity of continuing operations	24	**(20,071)**	**(52,280)**
Net income (expense) recognized directly in equity of discontinued operations		(7,963)	2,729
Profit (loss) of the period		192,452	154,627
Total recognized income		**164,418**	**105,076**
of which: Group share		149,885	87,734
Minority share		14,533	17,341

The notes on pages 74 to 108 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

The company's consolidated financial statements and the management report prepared in accordance with article 119 of the Belgian Companies Code set forth on pages 1 to 73 and 110 to 127, for the year ended 31 December 2005 were authorized for issue by the Board of Directors on 15 February 2006. They have been prepared in accordance with the legal and regulatory requirements applicable to the consolidated financial statements of Belgian companies. They include those of the company, its subsidiaries and its interests in companies accounted for using the equity method.

1 Basis of preparation

From 1 January 2005 the Group presents for the first time its annual consolidated financial statements in accordance with all International Financial Reporting Standards (IFRS) adopted by the European Union (EU).

The Group opted for the early application of the amendments to IAS 19 "Employee Benefits", in particular the option available under the amendment to recognize all actuarial gains and losses directly in equity.

Belgian law permitted the use of accounting standards adopted for use in the EU in place of Belgian accounting standards for the preparation of consolidated financial statements for all periods ending on or after December 2003. The Group used the accounting standards as adopted by the EU in the preparation of its 31 December 2003 financial statements with a date of transition of 1 January 2002, using IFRS 1 "First-adoption of IFRS".

Similarly, the Group has chosen to use IFRS 1 "First-adoption of IFRS " again when it adopted new or revised accounting standards as approved by the EU for its 31 December 2005 annual financial statements. Comparative figures for 2004 have been restated accordingly, except for IAS 32 and 39 which are applied from 1 January 2005. Reconciliations and descriptions of the effect of the transition on the Group's equity and its net income are provided in note 3.

The consolidated financial statements are presented in thousands of euros, rounded to the nearest thousand, and have been prepared on a historical cost basis, except for those items that are measured at fair value.

2 Accounting policies

2.1 PRINCIPLES OF CONSOLIDATION AND SEGMENTATION

Umicore applies a full consolidation for its subsidiaries - entities in which the company has control - i.e. the power to govern the financial and operating policies so as to obtain benefits from its activities. Control is presumed when Umicore owns, directly or indirectly through subsidiaries, more than 50% of the voting rights.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Note 6 lists all significant subsidiaries of the company at the closing date.

To account for an acquisition, the purchase method is used. The assets, liabilities and contingent liabilities of the acquired company are measured at their fair value at the date of acquisition. The cost of acquisition is measured as the fair value of assets given up, shares issued or liabilities undertaken at the date of acquisition, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the Group's share of the fair value of the net assets of the subsidiary is recorded as goodwill. (see Section 2.6, Intangible Assets & Equity Transaction Expenses). If the Group's share in the fair value of the net assets exceeds the cost of acquisition, the excess is recognized immediately in profit and loss.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated, unless such losses are an indication of impairment. Where necessary, the subsidiaries' accounting policies have been changed to ensure consistency with the policies the Umicore Group has adopted.

An associate is an entity in which the company has a significant influence over the financial and operating policies, but no control. Typically this is evidenced by an ownership of between 20 to 50% of the voting rights. A joint venture is a contractual arrangement whereby the company and other parties undertake, directly or indirectly, an economic activity that is subject to joint control.

Both associates and joint ventures are accounted for using the equity method. Under this method, the Group's share of the post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves.

Unrealized gains on transactions between the company and its associates or joint ventures are eliminated to the extent of the company's interest in the associates and joint ventures. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment.

The company's investments in associates and joint ventures include the goodwill on acquisitions, net of accumulated amortization.

Note 18 lists all significant associates and joint ventures of the company as at the closing date.

Note 8 provides the company's segment information. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other environments.

The primary segments of the Group are the business segments. The company's secondary segments are the geographical segments.

2.2 INFLATION ACCOUNTING

As at 31 December 2005 there is no subsidiary in the Umicore Group that reports in the currency of a hyperinflation economy.

2.3 FOREIGN CURRENCY TRANSLATION

Functional currency: items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity. The consolidated financial statements are presented in euros which is the functional currency of the parent. To consolidate the Group and each of its subsidiaries, the financial statements are translated as follows:

- Assets and liabilities at the year-end rate as published by the European Central Bank.
- Income statements at the average exchange rate for the year.
- The components of shareholders' equity at the historical exchange rate.

Exchange differences arising from the translation of the net investment in foreign subsidiaries, joint ventures and associated entities at the period-end exchange rate are recorded as part of the shareholders' equity under "currency translation adjustment".

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as local currency assets and liabilities of the foreign entity and are translated at the closing rate.

2.4 FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are recognized in the functional currency of each entity at exchange rates prevailing at the date of the transaction. Subsequently, monetary assets and liabilities denominated in foreign currencies are translated at the closing rate at the balance sheet date. Gains and losses resulting from the settlement of foreign currency transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognized in the income statement as financial result.

In order to hedge its exposure to certain foreign exchange risks, the company has entered into certain forward contracts (see Chapter 2.21, Financial instruments).

2.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recorded at historical cost, less accumulated depreciation and impairment losses. Cost includes all direct costs and appropriate allocation of indirect costs incurred to bring the asset to working condition for its intended use.

There are no borrowing costs capitalized in the costs of the assets. All borrowing costs are recognized as expenses in the period when incurred.

Repair and maintenance costs are expensed in the period in which they are incurred, if they do not increase the future economic benefits of the asset. Otherwise they are classified as separate components of items of property, plant and equipment. Those major components of items of property, plant and equipment that are replaced at regular intervals are accounted for as separate assets as they have useful lives different from those items of property, plant and equipment to which they relate.

The straight-line depreciation method is applied through the estimated useful life of the assets. Useful life is the period of time over which an asset is expected to be used by the company.

The typical useful life per main type of property, plant and equipment are as follows:

Land:	Non-depreciable
Buildings:	
- Industrial buildings	20 years
- Improvements to buildings	10 years
- Other buildings such as offices and laboratories	40 years
- Investment properties	40 years
Plant, machinery and equipment:	10 years
- Furnaces	7 years
- Small equipment	5 years
Furniture and vehicles:	
- Vehicles	5 years
- Mobile handling equipment	7 years
- Computer equipment	3 to 5 years
- Furniture and office equipment	5 to 10 years

For material newly acquired or constructed assets, the useful life is separately assessed at the moment of the investment request and can deviate from the above standards.

Assets are reviewed for an indication of impairment at each balance sheet date to assess whether they are recoverable in the form of future benefits. If the recoverable amount has decreased below the carrying amount, an impairment loss is recognized and accounted for as an operational charge. To assess impairments, assets are grouped in cash-generating units (CGU) at the lowest level for which separately identifiable cash flows exist. (see Chapter 2.12, Impairment of assets).

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

2.6 INTANGIBLE ASSETS & EQUITY TRANSACTION EXPENSES

2.6.1 Equity Transaction Expenses

Expenses for formation and capital increase are deducted from the share capital.

2.6.2 Goodwill

Goodwill represents the excess of the cost of an acquisition of a subsidiary, associate or jointly controlled entity over the Group's share in the fair value of the identifiable assets and liabilities of the acquired entity at the date of acquisition. Goodwill is recognized at cost less any accumulated impairment losses.

Goodwill from associates and joint ventures is presented in the balance sheet on the line "Investments accounted for under the equity method", together with the investment itself.

To assess impairment, goodwill is allocated to a CGU. At each balance sheet date, these CGUs are tested for impairment, meaning an analysis is performed to determine whether the carrying amount of goodwill allocated to the CGU is fully recoverable. If the carrying amount is not fully recoverable, an appropriate impairment loss is recognized in the income statement. These impairment losses are never reversed.

The excess of the Group's interest in the fair value of the net identifiable assets acquired over the cost of acquisition is recognized in the income statement immediately.

2.6.3 Research and Development

Research costs related to the prospect of gaining new scientific or technological knowledge and understanding are recognized in the income statement as an incurred expense.

Development costs are defined as costs incurred for the design of new or substantially improved products and for the processes prior to commercial production or use. They are capitalized if, among others, the following conditions are met:

- the intangible asset will give rise to future economic benefits, or in other words, the market potential has been clearly demonstrated.
- the expenditures related to the process or product can be clearly identified and reliably measured.

In case it is difficult to clearly distinguish between research or development costs, the costs are considered as being research. If development costs are capitalized they are amortized using a straight-line method over the period of their expected benefit but not exceeding five years.

2.6.4 Other Intangible Assets

All of the following types are recorded at historical cost, less accumulated amortization and impairment losses, except for government granted CO_2 emission rights which are valued at the prevailing market price at the day of the grant:

- Concessions, patents, licenses, trademarks: are amortized over the period of their legal protection.
- Software and related internal development costs: are typically amortized over a period of five years.
- CO_2 emission rights: are not amortized.
- Land use rights: are typically amortized over the contractual period.

2.7 LEASE

Lease operations can be divided into two types of lease:

2.7.1 Finance Lease

Leases under which the company assumes a substantial part of the risks and rewards of ownership are classified as finance leases. They are measured at the lower of fair value and the estimated present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in long-term payables. The interest element is charged to the income statement over the lease period. Leased assets are depreciated over the shorter of the useful life and the lease term.

2.7.2 Operating Lease

Leases under which a substantial part of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. The Group leases metals and other items to and from third parties for specified periods for which the Group receives or pays fees. The metal leases from third parties are classified as operating leases and are reported as Off Balance Sheet Commitments (see note 33). All payments under operating lease are considered as an expense in the income statement.

2.8 FINANCIAL ASSETS

Before 1 January 2005

Financial assets include equity securities, debt securities and loans. They are classified in the balance sheet as non-current or current financial assets, based on the intention or probability of realization within twelve months at the balance sheet date.

Debt securities and loans are recognized at amortized cost; equity securities are recognized at cost. Impairment losses are recognized when the net book value exceeds the recoverable amount of the asset. A reversal of impairment losses will be accounted for in the case of structural reasons but not above the historical cost.

Own shares, presented as current assets, are recognized at cost.

As from 1 January 2005

Financial assets are classified into the following categories:

- financial assets available for sale
- loans and receivables

Financial assets available for sale are carried at fair value. Unrealized gains and losses from changes in the fair value of such assets are recognized in equity as financial fixed assets reserves. When the assets are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses.

Loans and receivables are carried at amortized cost less any impairment.

Own shares, are deducted from equity.

2.9 INVENTORY

Inventories are carried at the lower of cost or net realizable value. Cost comprises direct purchase or manufacturing costs and an appropriate allocation of overheads.

Inventories are classified as:

1. Base products with metal hedging
2. Base products without metal hedging
3. Consumables
4. Advances paid
5. Contracts in progress

Base products with metal hedging are metal-containing products on which Umicore is exposed to metal price fluctuation risks and where Umicore applies an active and structured risk management process to minimize the potential adverse effects of market price fluctuations on the financial performance of the Group. The metal contents are classified in inventory categories that reflect their specific nature and business use. Depending on the metal inventory category, appropriate hedging mechanisms are applied. A weighted average is applied per category of inventory except for the inventories valued at fair value (see Chapter 2.21, Financial instruments).

Base products without metal hedging and consumables are valued using the weighted-average method.

Write-downs on inventories are recognized when turnover is slow or where the carrying amount is exceeding the net realizable value. Write-downs are presented separately.

Advances paid are down-payments on transactions with suppliers for which the physical delivery has not yet taken place and are booked at nominal value.

Contracts in progress are valued using the percentage-of-completion method.

2.10 TRADE AND OTHER RECEIVABLES

Trade and other receivables are measured at amortized cost, i.e. at the net present value of the receivable amount. Unless the impact of discounting is material, the nominal value is taken. Receivables are written down for irrecoverable amounts.

Trade receivables of which substantially all the risks and rewards have been transferred - or of which all the risks and rewards have not been transferred but the control has not been retained – are derecognized from the balance sheet.

The positive fair value of derivative financial instruments is included under this heading.

2.11 CASH AND CASH EQUIVALENTS

Cash includes cash-in-hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash, have maturity dates of three months or less and are subject to an insignificant risk of change in value.

These items are carried in the balance sheet at nominal value or cost. Bank overdrafts are included in the current liabilities on the balance sheet.

2.12 IMPAIRMENT OF ASSETS

Property, plant and equipment and other non-current assets, including intangible assets and financial assets not held for trading, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated.

The recoverable amount is the higher of an asset's net selling price and value in use. To estimate the recoverable amount of individual assets the company often determines the recoverable amount of the cash-generating unit (CGU) to which the asset belongs.

Whenever the carrying amount of an asset exceeds its recoverable value, an impairment loss is recognized as an expense immediately.

A reversal of impairment losses is recognized when there is an indication that the impairment losses recognized for the asset or for the CGU no longer exist or have decreased. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

2.13 SHARE CAPITAL AND RETAINED EARNINGS

A. Repurchase of share capital
   When the company purchases some of its own shares, the consideration paid – including any attributable transaction costs net of income taxes – is deducted from the total shareholders' equity as treasury shares. No gain or loss shall be recognized in profit or loss on the purchase, sale, issue or cancellation of own shares. When such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.
B. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds of the issue, net of tax.
C. Dividends of the parent company payable on ordinary shares are only recognized as a liability following approval by the shareholders.

2.14 MINORITY INTERESTS

Minority interests include a proportion of the fair value of identifiable assets and liabilities recognized upon acquisition of a subsidiary, together with the appropriate proportion of subsequent profits and losses.

In the income statement, the minority share in the company's profit or loss is presented separately from the company's consolidated result.

2.15 PROVISIONS

Provisions are recognized in the balance sheet when:

- There is a present obligation (legal or constructive) as a result of a past event.
- It is probable that an outflow of resources will be required to settle the obligation.
- A reliable estimate can be made on the amount of the obligation.

A constructive obligation is an obligation that derives from company actions where, by an established pattern of past practice or published policies, the company has indicated that it will accept certain responsibilities and, as a result, the company has created a valid expectation that it will discharge those responsibilities.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date and taking into account the probability of the possible outcome of the event. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. The result of the yearly discounting of the provision, if any, is accounted for as a financial result.

The main types of provision are the following:

1. Provisions for employee benefits (See Chapter 2.16, Employee benefits).
2. Environmental obligations
   Environmental provisions are based on legal and constructive obligations from past events, in accordance with the company's published environmental policy and applicable legal requirements. The full amount of the estimated obligation is recognized, except for the provision for pond covering and restoring the landscape. For this specific type of provision the obligation is gradually recognized according to the actual usage of the ponds.
3 Other provisions
   Includes provisions for litigation, onerous contracts, warranties, exposure to equity investments and restructuring. A provision for restructuring is recognized when the company has approved a detailed and formal restructuring plan and the restructuring has either commenced or has been announced publicly before the balance sheet date. Any restructuring provision only includes the direct expenditure arising from the restructuring which is necessarily entailed and is not associated with the ongoing activities of the company.

2.16 EMPLOYEE BENEFITS

2.16.1 Short-Term Employee Benefits

This includes wages, salaries and social security contributions, paid annual leave and sick leave, bonuses and non-monetary benefits, and is taken as an expense in the relevant period. Bonuses are received by all company managers and are based on key target financial indicators. The amount of the bonus is recognized as an expense, based on an estimation made at the balance sheet date.

2.16.2 Post Employment Benefits (pensions, medical care)

The company has various pension and medical care schemes in accordance with the conditions and practices of the countries it operates in. The schemes are generally funded through payments to insurance companies or trustee-administered funds.

2.16.2.1 Defined Benefit Plans

The company has accounted for all legal and constructive obligations both under the formal terms of defined benefit plans and under the company's informal practices.

The amount presented in the balance sheet is based on actuarial calculations (using the projected unit credit method) and represents the present value of the defined benefit obligations, adjusted for unrecognized past service costs, and reduced by the fair value of the plan assets.

Unrecognized past service costs result from the introduction of new benefit plans or changes in the benefits payable under an existing plan. The past service costs for which the benefits are not yet vested (the employees must deliver employee services before the benefits are granted) are amortized on a straight-line basis over the average period until the new or amended benefits become vested.

All actuarial gains and losses following changes in the actuarial assumptions of post-employment defined benefit plans are recognized through equity in the period in which they occur and are disclosed in the statement of income and expense as post-employment benefit reserves.

2.16.2.2 Defined Contribution Plans

The company pays contributions to publicly or privately administered insurance plans. The payments are recognized as expenses as they fall due, and as such are included in personnel costs.

2.16.3 Other Long-Term Employee Benefits (jubilee premiums)

These benefits are accrued for their expected costs over the period of employment using an accounting methodology similar to that for defined benefit pension plans. These obligations are in general valued annually by independent qualified actuaries. All actuarial losses or gains are immediately recognized in the income statement.

2.16.4 Termination Benefits (pre-retirement plans, other termination obligations)

These benefits arise as a result of the company's decision to terminate an employee's employment before the normal retirement date or of an employee's decision to accept voluntary redundancy in exchange for those benefits. When they are reasonably predictable in accordance with the conditions and practices of the countries the company operates in, future obligations are also recognized.

These benefits are accrued for their expected costs over the period of employment, using an accounting methodology similar to that for defined benefit pension plans. In general, these obligations are valued annually by independent qualified actuaries. All actuarial losses or gains are immediately recognized in the income statement.

2.16.5 Equity and Equity-related Compensation Benefits (share based payments IFRS 2)

Different stock option programmes allow company employees and company senior management to acquire shares of the company. The option exercise price equals the market price of the underlying shares at the date of the grant. When the options are exercised, shares are delivered to the beneficiaries either from existing own shares or from newly-created shares. In both cases, the equity is increased by the amount of the proceeds received corresponding to the exercise price.

The options are typically vested at the moment of the grant and their fair value is recognized as an employee benefit expense with a corresponding increase in equity as share based payment reserves. The expense to be recognized is calculated by an actuary, using a valuation model which takes into account all features of the stock options, the volatility of the underlying stock and an assumed exercise pattern.

2.16.6 Presentation

The impact of employee benefits on results is booked under operating results in the income statement, except for the interest and discount rate impacts which are classified under financial results.

2.17 FINANCIAL LIABILITIES

Borrowings are initially recognized as proceeds received, net of transaction costs. Subsequently they are carried at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Any differences between cost and redemption value are recognized in the income statement.

2.18 TRADE AND OTHER PAYABLES

Trade payables are measured at amortized cost, i.e. at the net present value of the payable amount. Unless the impact of discounting is material, the nominal value is taken.

The negative fair value of derivative financial instruments is included under this heading.

2.19 INCOME TAXES

Taxes on profit or loss of the year include current and deferred tax. Such taxes are calculated in accordance with the tax regulations in effect in each country the company operates in.

Current tax is the expected tax payable on the taxable income of the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable (or receivable) in respect of previous years.

Deferred taxes are calculated using the liability method on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. These taxes are measured using the rate prevailing at the balance sheet date or future applicable tax rates formally announced by the government in the country the company operates in.

Deferred tax assets are only recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are offset and presented net only if they relate to income taxes levied by the same taxation authority on the same taxable entity.

2.20 REVENUE RECOGNITION

2.20.1 Goods Sold and Services Rendered

Revenue from the sale of goods in transformation activities is recognized when significant risks and rewards of ownership have been transferred to the buyer, and no significant uncertainties remain regarding recovery of the consideration due, associated costs or the possible return of the goods.

Revenue from refining activities is recognized when the metal reference stage is reached. Metal reference is a generally recognized standard form of metal, with defined metal content, traded on well-established markets for commodities.

Revenue from services rendered is recognized by reference to the stage of completion of the transaction when this can be measured reliably.

2.20.2 Government Grants

A government grant is accounted for in the balance sheet initially as deferred income when there is reasonable assurance that it will be received and that the company will comply with the conditions attached to it. Grants are recognized in the income statement over the period necessary to match them with the costs they are intended to compensate.

2.21 FINANCIAL INSTRUMENTS

The company uses derivative financial and commodity instruments primarily to reduce the exposure to adverse fluctuations in foreign exchange rates, commodity prices, interest rates and other market risks. The company uses mainly spot and forward contracts to cover the metal and currency risk, and swaps to hedge the interest rate risk. The operations carried out on the futures markets are not of a speculative nature.

2.21.1 Transactional Risks – fair value hedging

Before 1 January 2005

Derivative financial and commodity instruments are used for the protection of the fair value of underlying hedged items (assets, liabilities and firm commitments) and are recognized initially at cost.

Both instruments and hedged items are subsequently measured at fair value at the balance sheet date via the "Mark-to-Market" mechanism. All gains and losses on the balanced positions are immediately recognized in the income statement - as an operational result if commodity-related and as a financial result if currency and interest related. On the unbalanced positions only the losses are recognized. The principle of "Mark-to-Market" is the comparison of the transactional rate with the closing market rate, spot-to-spot or forward-to-forward depending on the transactional rate used.

As from 1 January 2005

Derivative financial and commodity instruments are used for the protection of the fair value of underlying hedged items (assets, liabilities and firm commitments) and are recognized initially at cost.

All derivative financial and commodity instruments are subsequently measured at fair value at the balance sheet date via the "Mark-to-Market" mechanism. All gains and losses are immediately recognized in the income statement - as an operational result, if commodity instruments, and as a financial result in all other cases.

The hedged items (physical commitments and commercial inventory, primarily) are valued at fair value when hedge accounting can be documented according to the criteria set out in IAS 39.

In the absence of hedge accounting as defined under IAS 39, the hedged items are kept at cost and are submitted to the valuation rules applicable to similar non-hedged items, i.e. the recognition at the lower of cost or market (IAS 2) for inventories, or the recognition of provisions for onerous contracts (IAS 37) for physical commitments.

In some cases hedged items are assimilated with hedging instruments, for example when there is a consistent practice by a dedicated subsidiary or a CGU of the Group of taking delivery of the underlying to sell it within a short period after delivery for the purpose of generating a profit from short-term fluctuations in price or trading margins. In such cases, the inventory is valued at fair value as allowed by the broker-trader exception in IAS 2 and the related physical and / or paper commitments are classified as derivative under IAS 39 and measured at fair value through the income statement.

2.21.2 Structural Risks – cash flow hedging

Before 1 January 2005

Derivative financial and commodity instruments related to the protection of future cash flows are not recognized as operating result until the underlying cash flow is recognized. No "Mark-to-Market" mechanisms are applied.

As from 1 January 2005

Derivative financial and commodity instruments used for the protection of future cash flows are designated as hedges under cash-flow hedge accounting. The effective portion of changes in the fair value of hedging instruments which qualify as cash flow hedges are recognized in the shareholders' equity as hedging reserves until the underlying forecasted or committed transactions occur (i.e. affect the income statement). At that time the recognized gains and losses on the hedging instruments are transferred from equity to the income statement.

When a hedging instrument expires, is sold, terminated, or if it is exercised before the underlying forecasted or committed transactions occurred, the profit or loss is maintained in equity until the hedged transactions occur.

If the hedged transactions are no longer probable or the hedges become ineffective, then any gains or losses which were deferred in equity are immediately recognized in the income statement.

2.22 NON-RECURRING RESULTS AND IAS 39 EFFECT

Non-recurring results relate to restructuring measures, impairment of assets and other income or expenses arising from events or transactions that are clearly distinct from the ordinary activities of the company.

As from 1 January 2005

IAS 39 effect relates to non-cash timing differences in revenue recognition due to the non-application of IAS 39 hedge accounting to transactional hedges, which implies that hedged items can no longer be measured at fair value and must be submitted to the valuation rules applicable to similar non-hedged items, i.e. the recognition at the lower of cost or market (IAS 2) for inventories, or the recognition of provisions for onerous contracts (IAS 37) for physical commitments.

Note 10 provides more details on these results.

3 Impact of the transition to the new Group accounting policies on the financial statements

(€ thousand)

	Notes	Share capital, premiums and treasury shares	Result of the period	Retained earnings	Currency translation and other reserves	**Total share-holders' equity**	Minority interest	Equity of discontinued operations	**TOTAL EQUITY**
Balance at 1 January 2004 as published		659,157	60,122	522,780	(112,694)	**1,129,365**	62,594		**1,191,959**
Employee benefits IAS 19					(12,162)	**(12,162)**	(2,605)		**(14,767)**
Business combinations IFRS 3				160		**160**			**160**
Balance at 1 January 2004		659,157	60,122	522,940	(124,856)	**1,117,363**	59,989		**1,177,353**
	Notes								
Balance at 31 December 2004 as published		660,373	168,316	543,359	(135,122)	**1,236,926**	56,777		**1,293,703**
First time adoption:									
Employee benefits IAS 19			4,005		(19,571)	**(15,566)**	(2,477)		**(18,043)**
Business combinations IFRS 3			9,990	160	(140)	**10,010**			**10,010**
Share-based payments IFRS 2			(1,423)		1,423				
Changes in accountings estimates and errors IAS 8			(2,971)		521	**(2,450)**	(518)		**(2,968)**
Discontinued operations	38	(212,502)	(15,459)	(108,402)	42,416	**(293,947)**	(231)	294,178	
Balance at 31 December 2004		447,871	162,458	435,117	(110,473)	**934,973**	53,551	294,178	**1,282,702**
	Notes								
Balance at 31 December 2004		447,871	162,458	435,117	(110,473)	**934,973**	53,551	294,178	**1,282,702**
First time adoption of IAS 32/39		(31,694)		(5,096)	31,612	**(5,178)**	(234)	4,298	**(1,114)**
Balance at 1 January 2005		416,177	162,458	430,021	(78,861)	**929,795**	53,317	298,476	**1,281,588**

3.1 Changes in accounting policies

a) Employee benefits IAS 19 amended

All actuarial gains and losses following changes in the actuarial assumptions of post-employment defined benefit plans are recognized through equity in the period in which they occur and are disclosed in the statement of recognized income and expense as post-employment benefit reserves.

On 1 January 2004 a negative amount of EUR 14,767 thousand was recognized in equity in relation to this matter of which EUR 2,605 thousand attributable to the minorities. At the closing of 2004 the net impact was a negative amount of EUR 18,043 thousand of which EUR 2,477 thousand attributable to minorities. The EUR 4,005 thousand impact on the 2004 Income Statement, represents the reversal of the amortization of unrecognized losses of the period.

b) Business combinations IFRS 3

Goodwill is recognized at cost less any accumulated impairment losses and is no longer amortized. Goodwill amortization charges in the 2004 Income Statement have been reversed for an amount of EUR 9,990 thousand. The accumulated amortization until 31 December 2003 of EUR 12,396 thousand have been netted with prevailing gross values to constitute the new gross values as disclosed in note 16.

c) Share based payments IFRS 2

Different stock option programmes allow senior executives to acquire shares of the company. These options are typically vested at the date of the grant and their fair value is recognized as an employee benefit expense with a corresponding increase in equity as share based payment reserves. The expense to be recognized is calculated by an actuary, using a valuation model which takes into account all features of the stock options, the volatility of the underlying stock and an assumed exercise pattern. The expense of EUR 1,423 thousand recognized in the 2004 Income Statement relates to the stock options granted and immediately vested in that year and went along with the recognition of a share based payment reserve of EUR 1,423 thousand of which EUR 38 thousand were transferred to Cumerio in 2005.

d) Financial instruments IAS 39 (applied as from 1 January 2005)

Transactional Risks – fair value hedging

Derivative financial and commodity instruments are used for the protection of the fair value of underlying hedged items (assets, liabilities and firm commitments). The documentation which is formally required under IAS 39 was not available for such transactions to qualify for hedge accounting. In that context, the hedging instruments are measured at fair value at the balance sheet date via the "Mark-to-Market" mechanism, whereby all gains and losses are immediately recognized in the income statement. The hedged items are kept at cost and are submitted to the valuation rules applicable to similar non hedged items, i.e. the recognition at the lower of cost or market (IAS 2) for what concerns the inventories, or the recognition of provisions for onerous contracts (IAS 37) for physical commitments. The impact of that change on the opening equity as at 1 January 2005 was a negative amount of EUR 5,381 thousand, with a related negative impact on inventories of EUR 15,559 thousand, an increase of current provisions for other liabilities and charges of EUR 3,531 thousand and of other receivables and payables of EUR 13,709 thousand.

Structural Risks – cash flow hedging

Derivative financial and commodity instruments used for the protection of future cash flows are designated as hedges under cash-flow hedge accounting. Changes in the fair value of hedging instruments which qualify as effective cash flow hedges are recognized in the shareholders' equity as hedging reserves until the underlying forecasted or committed transactions occur. The impact of that change on the opening equity as at 1 January 2005 was a positive amount of EUR 31,612 thousand, with a related increase of other receivables (net of other payables) of EUR 47,107 thousand and the recognition in equity of a deferred tax liability of EUR 15,495 thousand. Cash flow hedges existing on 1 January 2005 related predominantly to forecast cash flows or committed transactions planned to occur in 2005.

e) Financial Assets IAS 39 (applied as from 1 January 2005)

Unrealized gains and losses from changes in the fair value of financial assets available for sale are recognized in equity as financial fixed assets reserves. There were no restatements as at 1 January 2005.

f) Presentation changes related to IAS 32 and 39 (applied as from 1 January 2005)

Expenses for formation and capital increase are no longer capitalized and amortized but deducted from the share capital. The remaining net book value as at 1 January 2005 (EUR 3,748 thousand) of the capitalized expenses related to the capital increase of 2003, has been reclassified accordingly.

Treasury shares are no longer reported as current assets but deducted from equity. As at 1 January 2005 this amounted to EUR 27,946 thousand.

3.2 Other changes in the financial statements

In 2004, Element Six, the joint venture partner in Element Six Abrasives, had decided to charge previously identified pension deficits at one of its fully owned subsidiaries to Element Six Abrasives. Umicore disputed that Element Six Abrasives could be held liable for pension deficits arising in a company in which it held no interest and, as disclosed in note 32 of the 2004 annual report, discarded these charges when integrating the financial statements of Element Six Abrasives.

Upon resolution of the matter in 2005, it was confirmed that Element Six Abrasives was not liable for the disputed pension deficit but it appeared that the disputed amount of USD 29.5 million included restructuring charges of USD 9.2 million to be assumed by Element Six Abrasives. The financial statements of Element Six Abrasives in respect of the year 2004 were corrected accordingly. Umicore's share in the charge amounts to EUR 2,971 thousand. This correction is reflected in the recast of the 2004 financial statements in line with the provisions of IAS 8.

3.3 Impact on the presented cash flow statements

There is no impact of the new IFRS standards on the presentation of the cash flow statements 2004.

4 Financial risk management

Each of the Group's activities is exposed to a variety of risks, including changes in metal prices, foreign currency exchange rates, certain market-defined commercial conditions, and interest rates as well as credit and liquidity risks. The Group's overall risk management programme seeks to minimize the adverse effects on the financial performance of the Group by hedging most of these risks through the use of financial and insurance instruments.

4.1 CURRENCY RISK

Umicore's currency risk can be split into three distinct categories: structural, transactional and translational.

4.1.1 Structural Risk

A portion of Umicore's revenues are denominated in USD, while many of the operations are located outside the USD zone (particularly in Europe and Asia). Any change in the USD exchange rate against the Euro or other currencies which are not pegged to the USD will have an impact on the company's results. The largest portion of this currency exposure derives from USD denominated metal prices, which have an impact on treatment or refining charges and on the value of surplus metal recovered from materials supplied for treatment.

Umicore has a policy of hedging forward its structural currency exposure, either in conjunction with the hedging of structural metal price exposure or in isolation, when the currency exchange rates or the metal price expressed in euros are above their historical average and at a level where attractive margins can be secured.

In the absence of any hedging of the non-metal-price-related structural US dollar exposure and at prevailing exchange rates at the end of 2005, a strengthening of the US dollar by 1 US cent towards the Euro gives rise to an increase in revenues and operating result in the order of EUR 1 million on an annual basis. Conversely, a weakening of the dollar by 1 US cent against the Euro gives rise to a decrease of the same magnitude on an annual basis.

The sensitivity level is a short-term guide and is somewhat theoretical since the exchange rate level often impacts changes in commercial conditions negotiated in US dollars and elements outside Umicore's control, such as the influence that the dollar exchange rate may have on dollar-denominated metal prices, movements in which have an effect on Umicore's earnings (see Metal Price Risk below). There is also a sensitivity to certain other currencies such as the Brazilian real, the Korean won and the South African rand.

Structural currency hedging

Umicore set up currency hedging arrangements in the years 2000 to 2004 in respect of the years 2000 to 2005. These transactions were entered into in order to secure Umicore's profitability and cash flows. In 2005 the effective exchange rate obtained by the Group was approximately 1.16 USD/EUR. This was largely the result of Umicore having hedged 50% of its USD exposure at an average rate of 1.08 USD/EUR (this related mainly to the Advanced Materials and Precious Metals Services businesses).

At the time of writing no structural, currency hedging arrangements were in place for 2006 onwards other than those related to structural metal price risks.

4.1.2 Transactional Risk

The company is also subject to transactional risks in respect of currencies, i.e. the risk of currency exchange rates fluctuating between the time the price is fixed with a customer or supplier and the time the transaction is settled. Umicore systematically hedges against such transactional risk, primarily through forward contracts.

4.1.3 Translational Risk

Umicore is an international company and has operations which do not have the Euro as their functional currency. When such results are consolidated into Umicore's Group accounts the translated amount is exposed to variations in the value of such local currencies against the Euro. Umicore does not hedge against such risk (See notes 1 and 2, Basis of preparation and Accounting policies).

4.2 METAL PRICE RISK

4.2.1 Structural risk

Umicore is exposed to structural metals-related price risks. Those risks derive mainly from the impact that metal prices have on treatment or refining charges and on surplus metals recovered from materials supplied for treatment. Umicore has a policy of hedging forward such metal price exposure if metal prices expressed in Euros are above their historical average and at a level where attractive margins can be secured. The extent to which metal price risk can be hedged forward depends on the liquidity of the relevant markets.

The metals price risk is primarily related to zinc where, in the absence of any hedging mechanisms, a change of EUR 100 per tonne in the LME zinc price leads to a short-term sensitivity at revenue and operating profit level of about EUR 15 million per annum based on the conditions prevailing at the end of 2005.

The operations of Umicore Yunnan Zinc Alloys – in which a 60% stake was acquired at the beginning of 2006 – also generate a sensitivity to the zinc price. On a 100% basis, a change of USD 100 per tonne in the LME zinc price leads to a short-term sensitivity at revenue and operating profit level for Umicore Yunnan Zinc Alloys of about USD 1 million per annum based on the prevailing LME zinc price at the end of 2005.

The Padaeng Industries associate (Thailand), in which Umicore has a 47% stake, also has a sensitivity to the zinc price. On a 100% basis, a change of USD 100 per tonne in the LME zinc price leads to a short-term sensitivity at operating profit level for Padaeng Industries of about USD 6-7 million per annum based on the prevailing LME zinc price at the end of 2005.

In the Precious Metals Services division, where the Group primarily produces platinum, palladium, rhodium, gold and silver, the short-term sensitivity to precious metals prices is difficult to assess due to the variability of the division's feed over time, although higher prices generally tend to be earnings enhancing.

The impact of price changes for the other metals is not significant.

Structural metal price hedging

For zinc, the Group achieved a received zinc price for 2005 of EUR 974 per tonne as a result of previous hedging operations. At the time of writing, most of Umicore's zinc exposure for 2006 was hedged at an average forward price of EUR 1,125 per tonne, 70% of its zinc price exposure for 2007 was hedged at an average forward price of EUR 1,465 per tonne and approximately 80% of its exposure for the first three months of 2008 at an average forward price of EUR 1,635 per tonne.

At the time of writing, Padaeng Industries had secured approximately 50% of its zinc price exposure for 2006 at an average forward price of USD 1,420 per tonne and approximately 30% of its exposure for 2007 at an average forward price of USD 1,660 per tonne. For updated details readers can consult www.padaeng.com.

For precious metals, Umicore had previously hedged part of its exposure to platinum and silver prices for 2005 and 2006. In the course of 2005, Umicore extended such hedges to include other metals such as gold and to cover the price risks relating to certain supply agreements concluded for 2007.

4.2.2 Transactional risk

The Group faces transactional price risks on metals purchased and sold.

The raw materials used and the metals or products manufactured by Umicore are generally purchased and sold on the same basis, for instance using the relevant London Metal Exchange quotations, thereby allowing the use of certain hedging instruments. In this respect the Group's policy is to hedge the transactional risk to the maximum extent possible, primarily through forward contracts. Transactional risk is the risk of the price of the metal fluctuating between the time the price is fixed with a customer or a supplier and the time the transaction is settled.

4.3 OTHER COMMERCIAL RISKS

Umicore faces certain structural commercial risks in some of its businesses. These risks can be functions of supply chain structure or the production of unavoidable waste streams from Umicore's production processes.

For the former, the most significant exposure arises from the throughput of zinc concentrates at Umicore's Zinc Alloys business. Umicore processes more than 600,000 tonnes of zinc concentrates. If annually negotiated treatment charges (the income Umicore receives for processing zinc concentrates) change by USD 10 per tonne it results in an impact on revenues and operating performance of approximately USD 6 million. This sensitivity is separate from the effect on zinc treatment charges brought about by changes in the zinc price. Umicore seeks to smooth the effect of short-term changes in treatment charges by negotiating longer-term supply contracts; the company also seeks to reduce its exposure to treatment charges by maximizing the input of recycled zinc in its flowsheet.

For the latter, the most significant exposure arises from Umicore's production of sulphuric acid. Sulphuric acid is an unavoidable by-product of Umicore's zinc smelting and precious metals pre-processing operations. Umicore produces some 600,000 tonnes of sulphuric acid per year. A change in the European market price for sulphuric acid of EUR 10 per tonne would result in an impact on revenues and operating performance of approximately EUR 6 million.

4.4 INTEREST RATE RISK

The Group's exposure to changes in interest rates relates to the Group's financial debt obligations. At the end of December 2005, the Group's net financial debt stood at EUR 515 million. As part of the management of its overall cost of funding, the Group has hedged part of its interest rate risk exposure by entering into interest rate swaps the notional amount of which, on average, stands at EUR 92 million for 2006, being increased to EUR 150 million in 2007, with maturity dates between 1 to 3 years from the end of 2005. As a result of the IRS's contracted by Umicore, and taking into account the debt instruments subject to fixed interest rates such as Umicore's 8-year bond issued in 2004, the portion of the financial debt subject to floating rate interests at the beginning of 2006 corresponds to 49% of the total net financial debt.

4.5 CREDIT RISK

Credit risk and concentration of credit risk

Credit risk is the risk of non payment from any counterparty in relation to sales of goods or metal lease operations. In order to manage the credit exposure, Umicore has determined a credit policy with credit limit requests, approval procedures, continuous monitoring of the credit exposure and dunning procedure in case of delays.

The credit risk resulting from sales is, to a certain extent, covered by credit insurance, letters of credit or similar secure payment means. Two types of credit insurance contracts are in place and cover two different zones of the world. The OECD contract indemnifies credit risk for insolvency within an annual global deductible of EUR 1 million and an annual global indemnification cap of EUR 11.5 million. Sales in the other countries of the world are credit insured for political and commercial risk with an individual deductible per invoice of 10%. Umicore has determined that in a certain number of cases where the cost of credit insurance was disproportionate in relation to the risk to be insured or where customer concentration is not compatible with the provisions of the existing credit insurance contracts, no credit coverage would be sought.

It should be noted that some sizeable transactions, such as the sales of precious metals by Precious Metals Services, have a limited credit risk as payment before delivery is a widely accepted practice.

In 2000, Umicore entered into a securitization programme with a major international bank through which it sells its trade receivables on a recurring, non-recourse basis. At the end of 2005, this programme had a maximum coverage of EUR 130 million. It expires in June 2006 and may be renewed, depending on the then prevailing market conditions and the Group's projected funding requirements.

4.6 LIQUIDITY RISK

Liquidity risk is being addressed by maintaining a sufficient degree of diversification of funding sources. These include committed and uncommitted short and medium term bank facilities and a commercial paper programme, in addition to the trade receivables securitization programme set-up in 2000 and the 8-year, EUR 150 million bond issued in 2004.

5 Critical accounting estimates and judgments

The preparation of the financial statements requires management to make assumptions and estimates affecting recognition and measurement in the Consolidated Balance Sheet and Income Statement.

Assumptions and estimates are applied when:

- Assessing the need for and measurement of impairment losses
- Accounting for pension obligations
- Recognizing and measuring provisions for tax, environmental, warranty and litigation risks, product returns, and restructuring
- Determining inventory write-downs
- Assessing the extent to which deferred tax assets will be realized
- Useful lives of property, plant and equipment and intangible assets excluding goodwill.

The assumptions and estimates are disclosed in the respective notes relevant to the item where the assumptions or estimates were used for measurement.

6 Group companies

Below is a list of the main operating companies included in the consolidated financial statements:

		% interest 2005
Argentina	Umicore Argentina S.A.	100.00
Australia	Umicore Australia Ltd.	100.00
Austria	Oegussa GmbH	90.89
Belgium	Umicore Financial Services S.A. (BE 428.179.081)	100.00
	Umicore Oxyde Belgium N.V. (BE 438.933.809)	100.00
	Umicore Autocatalyst Recycling Belgium N.V. (BE 466.261.083)	100.00
	Umicore Marketing Services Belgium S.A. (BE 402.964.625)	100.00
Brazil	Coimpa Industrial Ltda	100.00
	Umicore Brazil Ltda	100.00
Canada	Umicore Canada Inc.	100.00
	Umicore Autocat Canada Corp.	100.00
China	Hunan Fuhong Zinc Industrial Co., Ltd.	100.00
	Umicore Marketing Services Shanghai Co., Ltd.	100.00
	Umicore Marketing Services Far East Ltd.	100.00
	Umicore Shanghai Co., Ltd.	75.00
	Umicore Specialty Oxides Shanghai Co. Ltd.	100.00
	Umicore Autocat China Co. Ltd.	100.00
France	Umicore France S.A.S.	100.00
	Umicore Climeta S.A.S.	100.00
	Galva 45	55.00
	Umicore IR Glass S.A.	99.98
	GM Metal	100.00
Germany	Umicore AG & Co. KG (*)	100.00
	Umicore Bausysteme GmbH	100.00
	Umicore Marketing Services Deutschland GmbH	100.00
	Allgemeine Gold- und Silberscheideanstalt AG	90.80
	BrazeTec GmbH	100.00
	Umicore Galvanotechnik GmbH	90.80
	Metall Dinslaken GmbH & Co. KG (*)	100.00
Italy	Umicore Marketing Services Italia s.r.l.	100.00
	Italbras S.p.A.	100.00
Japan	Umicore Marketing Services Japan KK	100.00
	Umicore Precious Metals Japan Co., Ltd.	100.00

		% interest 2005
Korea	Umicore Korea Ltd.	100.00
	Umicore Marketing Services Korea Co., Ltd.	100.00
Liechtenstein	Umicore Materials AG	100.00
Luxemburg	Sibekalux	100.00
Malaysia	Umicore Malaysia Sdn Bhd	100.00
Netherlands	Schöne Edelmetaal BV	90.80
	Umicore Nederland BV	100.00
Norway	Umicore Norway AS	100.00
Philippines	Umicore Specialty Materials Subic Inc.	78.20
Portugal	Umicore Portugal S.A.	100.00
	Umicore Marketing Services Lusitana Lda	100.00
Singapore	Umicore Precious Metals Singapore Pte Ltd.	100.00
South Africa	Umicore South Africa (Pty) Ltd.	100.00
	Umicore Autocat South Africa (Pty) Ltd.	55.00
Sweden	Umicore Autocat Sweden AB	100.00
Switzerland	Umicore Strub S.A.	100.00
Taiwan	Umicore Materials Taiwan Co., Ltd.	100.00
Thailand	Umicore Marketing Services Thailand Co., Ltd.	100.00
	Umicore Precious Metals Thailand Ltd.	90.80
United Kingdom	Umicore Coating Services Ltd.	100.00
	Umicore Marketing Services UK Ltd	100.00
	Umicore Precious Metals UK Ltd.	100.00
USA	Umicore USA Inc.	100.00
	Umicore Autocat USA Inc.	100.00
	Umicore Building Products USA Inc.	100.00
	Umicore Precious Metals NJ LLC	100.00
	Umicore Marketing Services USA Inc.	100.00
	Umicore Optical Materials Inc.	100.00

(*) As a result of the integration of Umicore AG & Co. KG and Metall Dinslaken GmbH & Co. KG, these companies are exempted from issuing consolidated financial statements according to Article 264b of the German Commercial Code.

An exhaustive list of the Group companies with their registered offices will be filed at the Belgian National Bank together with the consolidated financial statements.

7 Foreign currency measurement

For the main currencies applicable within the Group's consolidated entities and investments, the prevailing rates used for translation into the Group's presentation currency (EUR), are as set out below. All subsidiaries, associates and joint ventures have as functional currency the currency of the country in which they operate, except for Element Six Abrasives (previously named Megapode, Ireland) and Traxys (Luxemburg) where the functional currency is the US dollar.

		Closing Rates		Average Rates	
		2004	2005	2004	2005
American Dollar	USD	1.36210	1.17970	1.24390	1.24409
UK Pound Sterling	GBP	0.70505	0.68530	0.67865	0.68380
Canadian Dollar	CAD	1.64160	1.37250	1.61675	1.50873
Swiss Franc	CHF	1.54290	1.55510	1.54382	1.54828
Japanese Yen	JPY	139.65000	138.90000	134.44459	136.84918
Brazilian Real	BRL	3.61556	2.76132	3.64413	3.02982
South African Rand	ZAR	7.68970	7.46420	8.00919	7.91834
Chinese Yuan	CNY	11.27349	9.52040	10.29557	10.19534
Thai Baht	THB	52.99931	48.43700	50.07300	50.06702
Korean Won (100)	KRW	14.10050	11.84420	14.22620	12.73609

8 Segment Information

PRIMARY SEGMENT INFORMATION 2005 (by business group)

(€ thousand)

	Advanced Materials	Precious Metals Products & Catalysts	Precious Metals Services	Zinc Specialties	Corporate & Investments	Unallocated	Total
Total segment turnover	**456,364**	**1,876,531**	**3,585,618**	**966,280**	**175,878**	**(494,140)**	**6,566,531**
of which external turnover	456,364	1,860,566	3,132,972	940,751	175,878		6,566,531
of which inter-segment turnover		15,965	452,647	25,528		(494,140)	
Operating result	**39,255**	**126,927**	**56,640**	**(29,106)**	**(40,743)**		**152,974**
Recurring	41,012	127,740	56,773	17,482	(44,119)		198,888
Non-recurring	(2,664)	407	2,448	(36,997)	1		(36,806)
IAS 39 effect	907	(1,220)	(2,581)	(9,590)	3,375		(9,108)
Equity method companies	**18,399**	**8,379**		**3,732**			**30,511**
Recurring	18,399	8,379		7,232			34,011
Non-recurring				(3,500)			(3,500)
Net financial cost						(33,974)	(33,974)
Income from other financial investments						214	214
Income taxes						(15,874)	(15,874)
Minority interest						(12,427)	(12,427)
Net profit for the year	**57,656**	**135,304**	**56,640**	**(25,374)**	**(40,743)**	**(62,061)**	**121,424**
Consolidated total assets	**440,429**	**924,306**	**478,987**	**699,624**	**124,892**	**268,688**	**2,936,926**
Segment assets	340,288	889,800	478,987	654,490	124,691		2,488,256
Investments in associates	100,141	34,506		45,135	201		179,982
Unallocated assets						268,688	268,688
Consolidated total liabilities	**87,744**	**252,355**	**196,114**	**342,727**	**74,815**	**967,748**	**1,921,503**
Segment liabilities	87,744	252,355	196,114	342,727	74,815		953,755
Unallocated liabilities						967,748	967,748
Capital expenditure	**22,159**	**43,641**	**23,474**	**47,164**	**8,940**		**145,378**
Depreciation and amortization	**22,626**	**36,315**	**33,849**	**36,834**	**3,547**		**133,171**
Non-cash expenses other than depreciation	**1,523**	**6,040**	**6,879**	**36,390**	**(2,814)**		**48,019**
Impairment losses/ (Reversal of impairment losses)	**1,803**	**53**	**378**	**17,287**	**5,670**		**25,191**

SECONDARY SEGMENT INFORMATION 2005 (by geographical area)

(€ thousand)

	Europe	Asia-Pacific	North America	South America	Africa	Total
Total segment turnover	**4,119,815**	**636,517**	**1,341,750**	**151,674**	**316,775**	**6,566,531**
Total assets	**2,323,451**	**240,573**	**178,669**	**96,556**	**97,676**	**2,936,926**
Capital expenditure	**110,847**	**15,621**	**10,435**	**4,350**	**4,125**	**145,378**

PRIMARY SEGMENT INFORMATION 2004 (by business group)

(€ thousand)

	Advanced Materials	Precious Metals Products & Catalysts	Precious Metals Services	Zinc Specialties	Corporate & Investments	Unallocated	Total
Total segment turnover	**552,477**	**1,701,955**	**2,649,396**	**968,186**	**237,080**	**(424,143)**	**5,684,952**
of which external turnover	552,477	1,678,748	2,282,868	933,779	237,080		5,684,952
of which inter-segment turnover		23,207	366,528	34,407		(424,143)	
Operating result	**65,865**	**113,393**	**31,732**	**78,900**	**(43,662)**		**246,228**
Recurring	66,895	113,799	33,986	76,455	(41,903)		249,232
Non-recurring	(1,030)	(407)	(2,254)	2,446	(1,759)		(3,004)
Equity method companies	**10,739**	**9,025**	**31**	**3,422**	**80**		**23,298**
Recurring	18,554	9,025	31	3,422	80		31,113
Non-recurring	(7,815)						(7,815)
Net financial cost						(41,891)	(41,891)
Income from other financial investments						(10,598)	(10,598)
Income taxes						(45,914)	(45,914)
Minority interest						(14,535)	(14,535)
Net profit for the year	**76,605**	**122,419**	**31,763**	**82,323**	**(43,582)**	**(112,940)**	**156,588**
Consolidated total assets	**468,577**	**794,285**	**399,717**	**611,434**	**316,297**	**943,025**	**3,533,335**
Segment assets	370,292	769,079	399,717	567,875	316,112		2,423,076
Investments in associates	98,285	25,206		43,558	185		167,234
Unallocated assets						943,025	943,025
Consolidated total liabilities	**89,860**	**197,797**	**165,452**	**260,844**	**211,901**	**1,324,780**	**2,250,633**
Segment liabilities	89,860	197,797	165,452	260,844	211,901		925,853
Unallocated liabilities						1,324,780	1,324,780
Capital expenditure	**24,872**	**49,222**	**20,899**	**41,492**	**6,324**		**142,809**
Depreciation and amortization	**26,169**	**31,970**	**29,625**	**43,114**	**14,874**		**145,751**
Non-cash expenses other than depreciation	**2,949**	**11,995**	**(2,647)**	**5,850**	**2,408**		**20,555**
Impairment losses/ (Reversal of impairment losses)	**584**	**241**	**305**	**2,681**	**1,758**		**5,569**

SECONDARY SEGMENT INFORMATION 2004 (by geographical area)

(€ thousand)

	Europe	Asia-Pacific	North America	South America	Africa	Total
Total segment turnover	**3,816,504**	**655,839**	**810,894**	**121,509**	**280,206**	**5,684,952**
Total assets	**3,027,777**	**211,697**	**125,926**	**79,200**	**88,736**	**3,533,335**
Capital expenditure	**106,517**	**17,440**	**13,587**	**2,978**	**2,287**	**142,809**

Segment information is presented in respect of the Group's business and geographical segments.

The primary segmentation reflects the business organization. The selected segments correspond to the business groups, as defined below.

The secondary segment is the geographical view whereby the turnover is presented according to the geographical location of the customers, while assets and investments are presented according to their actual geographical location.

The segment results, assets and liabilities include items directly attributable to the segment as well as those elements that can reasonably be allocated to a segment.

The pricing of inter-segment sales is based on an arm's length transfer pricing system. In the absence of relevant market price references, 'cost plus' mechanisms are used.

Business segments

The Group is organized into the following business groups:

Advanced Materials includes the Electro-Optic Materials, Engineered Metal Powders and Specialty Oxides & Chemicals business units. The business group also includes Umicore's shareholding in Element Six Abrasives.

Precious Metals Products and Catalysts includes the Automotive Catalysts, Thin Film Products, Jewellery & Electroplating, Precious Metals Chemistry and Technical Materials business units.

Precious Metals Services includes the Precious Metals Refining and the Precious Metals Management business units.

Zinc Specialties includes the Zinc Alloys, Zinc Chemicals and Building Products business units, as well as Umicore's shareholding in Padaeng Industries Ltd (Thaïland).

Corporate & Investments covers corporate activities as well as some shared services and the central Research, Development & Innovation unit.

Associate companies are allocated to the business group with the closest fit from a market segment perspective.

This disclosure only refers to continuing operations. All details concerning Copper and Traxys as published in the 2004 financial statements have hence been removed.

9 Business combinations and acquisitions of associates and joint ventures

Acquisitions

(€ thousand)

	Notes	Fair value
Investments accounted for using the equity method	18	2,091
NON-CURRENT ASSETS		**2,091**
TOTAL ASSETS		**2,091**
Group share in net assets acquired		**2,091**
Goodwill	18	**1,062**
Purchase price		3,153
Purchase price in cash		**3,153**
Net cash out/ (in)		**3,153**

In July 2005, Umicore acquired a 21.69% stake in Reaxa Limited, based in Manchester (England) and a 40% stake in Todini & Co S.p.A, located in Monza (Italy). Umicore's stake in those associates is accounted for through the equity method.

Since their inclusion in the consolidation, these two investments have contributed to the consolidated result of the Group at a level of EUR 61 thousand. Their aggregated total profit of the period (Group share) is EUR 277 thousand.

In November 2005, Umicore agreed to sell 80% of its interest in Traxys (Luxemburg) in which Umicore's stake was 50%. The capital gain on this disposal was about EUR 1.2 million.

10 Result from operating activities

(€ thousand)

	31/12/04	31/12/05
TURNOVER (1)		
Sales	5,637,784	6,513,206
Services	47,168	53,325
Turnover	**5,684,952**	**6,566,531**
OTHER OPERATING INCOME (2)	**70,883**	**68,011**
DEPRECIATION AND IMPAIRMENT RESULT (3)		
Depreciation of fixed assets	132,439	132,613
Impairment loss on fixed assets	6,800	21,769
Inventory and bad debt provisions	14,240	(9,031)
Depreciation and impairment result	**153,479**	**145,351**
OTHER OPERATING EXPENSES (4)		
Miscellaneous taxes, other than income tax	22,594	24,038
Rents and related charges	25,398	25,600
Sub-contracted major repair and maintenance expenses	47,883	52,836
Fees, commissions and insurance	39,979	40,319
Sub-contracted transport	51,493	55,850
Other services sub-contracted and other consumables	129,610	133,625
Other operating expenses	33,060	30,726
Expenses capitalized as fixed assets	(5,983)	(9,110)
Use of provisions	(28,781)	(24,646)
Increase and decrease in provisions	8,881	18,266
Capital losses on disposal of assets	4,014	3,647
	328,147	**351,151**

(1) Services mainly include the revenues from tolling contracts.

(2) Other operating income includes re-invoicing of costs to third parties, fair value gains and losses on other commodity financial instruments (see note 32), gains on disposals of fixed assets, emission rights received and insurance indemnifications.

(3) Impairment loss on fixed assets are mainly due to the reduction of production capacity in the Zinc Alloys business in France and to the closure of a factory in South Africa.
Inventory and bad debt provisions include mainly bad debt provisions for EUR 6,112 thousand, and reversal of impairments on inventories for EUR 15,333 thousand, of which EUR 9,780 related to the "IAS 39 effect".

(4) R&D expenses for the Group in 2005 amounted to EUR 112 million (EUR 104 million in 2004), of which EUR 99 million in the fully consolidated companies (EUR 89 million in 2004).

Non-recurring results and IAS 39 impact included in the operating results

(€ thousand)

	2004			2005			
	Total	Non-recurring	Recurring	Total	Non-recurring	IAS 39 effect	Recurring
Turnover	5,684,952		5,684,952	6,566,531	9,501	(21,416)	6,578,446
Other operating income	70,883	4,378	66,505	68,011	(8,439)	(337)	76,787
Operating income	***5,755,835***	***4,378***	***5,751,457***	***6,634,542***	***1,062***	***(21,753)***	***6,655,233***
Raw materials and consumables used	4,469,020		4,469,020	5,410,870	323		5,410,547
Payroll and related benefits	558,960		558,960	574,196	14,180		560,016
Depreciation and impairment results	153,480	8,946	144,534	145,351	22,644	(9,780)	132,487
Other operating expenses	328,147	(1,565)	329,712	351,151	721	(2,865)	353,295
Operating expenses	***5,509,607***	***7,381***	***5,502,226***	***6,481,568***	***37,868***	***(12,645)***	***6,456,345***
RESULT FROM OPERATING ACTIVITIES	**246,228**	**(3,003)**	**249,231**	**152,974**	**(36,806)**	**(9,108)**	**198,888**

Umicore booked non-recurring operating charges of EUR 36.8 million at the fully consolidated subsidiaries. The majority of this amount relates to the restructuring programme at the Zinc Specialties operations. The other key charge related to the closure of Umicore's cobalt refining operations in South Africa. A write-down which was previously recorded in Precious Metals Services on the value of palladium inventories was written back for EUR 2,661 thousand.

In the absence of hedge accounting as defined under IAS 39, the hedged instruments under Umicore's transactional hedging systems (see note 4) are measured at fair value and the hedged items are initially kept at cost and subsequently submitted to the valuation rules applicable to similar but non-hedged items, i.e. the recognition of write-downs on inventories if their market value is lower than cost (see note 20), or the recognition of provisions for onerous contracts for commercial commitments (see notes 30 and 33). The overall negative effect of these bookings amounted to EUR 9,108 thousand.

11 Payroll and related benefits

(€ thousand)

	Notes	31/12/04	31/12/05
Payroll and related benefits			
Wages, salaries and direct social advantages		396,339	406,416
Employer's social security and defined benefit contributions		120,735	126,531
Other charges for personnel		19,240	19,953
Temporary staff		13,014	12,559
Contribution to defined contribution plan		10,560	12,173
Employer's voluntary contributions-other		2,645	2,886
Share-based payments		1,385	1,869
Pensions paid directly to beneficiaries		10,182	11,148
Provisions for employee benefits (+ increase / - use and reversals)		(15,140)	(19,338)
		558,960	**574,196**

Average headcount in consolidated companies			
Executives and managerial staff		1,153	1,134
Monthly-paid		4,449	4,570
Hourly-paid		4,121	4,210
TOTAL		**9,723**	**9,914**

Fair values of the options granted			
Number of stock options granted	28	127,100	141,100
Valuation model		Present Economic Value	
Assumed volatility (% pa)		25	20
Risk-free interest rate (% pa)		3.20	2.50
Monetary dividend increase (€ pa)		0.05	0.05
Rate of pre-vesting forfeiture		NA	NA
Rate of post-vesting leaving (% pa)		3.00	3.00
Minimum gain threshold (% pa)		50.00	50.00
Proportion who exercise given minimum gain achieved (% pa)		25.00	25.00
Fair value per granted instrument determined at the grant date (€)		10.90	13.25

The Group recognized a share-based payment expense of EUR 1,869 thousand during the year. This expense is calculated by an external actuary, using the Present Economic Value model which takes into account all features of the stock option plans and the volatility of the underlying stock. This volatility has been determined using the historical volatility of the Group shareholders' return over different averaging periods and different terms.

12 Finance cost - net

(€ thousand)

	31/12/04	31/12/05
Interest income	9,749	8,494
Interest expenses	(33,501)	(30,270)
Actualization of non-current provisions	(9,215)	(10,740)
Foreign exchange gains and losses	(2,881)	5,630
Other financial income	670	2,368
Other financial expenses	(6,712)	(9,457)
	(41,891)	**(33,974)**

The net interest charge decreased from 2004 to 2005 in line with the average level of indebtedness.

The actualization of non-current provisions relates mainly to employee benefits and, to a lesser extent, environmental provisions.

Exchange results include realized exchange results and the unrealized translation adjustments to monetary items using the closing rate of the period. They also include fair value gains and losses on other currency financial instruments (see note 32).

Other financial expenses include discount expenses for EUR 2.2 million (EUR 1.6 million in 2004) and bank expenses for EUR 2.4 million (EUR 2.9 million in 2004).

13 Income from other financial investments

(€ thousand)

	31/12/04	31/12/05
Capital gains and losses on disposal of financial investments	42	91
Dividend income	1,350	434
Interest income from financial assets	651	140
Impairment results on financial investments	(12,640)	(451)
	(10,598)	**214**

In 2004, an impairment charge of EUR 12.5 million was recorded on the loan that Umicore granted in 2002 to Kovanco, considering the financial situation of the borrower.

14 Income taxes

(€ thousand)

Income tax expense		2004	2005
Recognized in the income statement			
Current tax expense		38,695	37,747
Deferred tax expense (income)		7,218	(21,873)
Total tax expense		**45,913**	**15,874**
a) Major components of tax expense (income)			
A) Current tax expense			
Current year		37,476	37,968
Current tax expense (income) related to prior year		1,219	(221)
Current year's tax expense		**38,695**	**37,747**
B) Deferred tax expense (income)			
Relating to the reversal of temporary differences		10,288	13,071
Relating to the recognition (origination) of temporary differences (deferred tax assets)		(2,554)	(33,418)
Deferred tax expense relating to change in tax rates or resulting from use of foreign tax rate		(516)	(1,526)
Deferred tax expense (income)		**7,218**	**(21,873)**
Tax expense on continuing operations		**45,913**	**15,874**
b) Relationship between tax expense (income) and accounting profit			
The charge for the year can be reconciled to the profit of the income statement as follows:			
Profit before tax		217,037	149,725
Deduct share in result of associated companies		(23,298)	(30,511)
Profit before tax consolidated Group companies		193,739	119,214
Tax at the domestic income tax rate of	33.99%	65,852	40,521
Adjustments on tax expenses			
- Non-taxable dividends from investments in non-Group companies		(89)	(46)
- Capital gains taxed at special rates		(289)	
- Other items taxed at special rates		(3,213)	(4,334)
- Sundry tax deductions		(24,771)	(21,619)
- Sundry amounts disallowed		40,362	38,636
- Effect of different tax rates of subsidiaries operating in other jurisdictions		(6,161)	(7,528)
- Flat rate or fixed sum tax payments		15	33
- Tax computed on other basis		(27,500)	(32,801)
- Impact of loss for the year		11,328	7,565
- Gain and loss on Group taxation		(97)	(427)
- Previous year tax adjustments		(936)	1,076
- Income tax losses brought forward		(8,348)	(5,616)
- Deduction in respect of investment incentive			549
- Tax credits		(240)	(135)
Tax expense at effective tax rate for the year		**45,913**	**15,874**

Excluding the impact of non-recurring items and of the IAS 39 effect, the recurring effective tax rate for 2005 is 21.4% compared to 23.5% in 2004. The amount of the benefit from a previously unrecognized tax loss, tax credit or temporary difference of a prior period that is used to reduce deferred tax expense amounts to EUR 4,444 thousand.

15 Intangible assets other than goodwill

(€ thousand)

	Concessions, patents, licences, etc.	Software	CO_2 emission rights	Other intangible assets	Total
At the beginning of 2004					
Gross value	11,624	45,676		19,232	**76,531**
Accumulated amortization	(5,770)	(32,420)		(9,655)	**(47,844)**
Net book value at the beginning of 2004	**5,854**	**13,256**		**9,577**	**28,687**
- acquisitions through business combinations				(221)	**(221)**
- own production		147		508	**655**
- additions	186	3,804		428	**4,418**
- disposals		4		(11)	**(7)**
- amortization charged (included in "Depreciation and impairments")	(967)	(5,242)		(1,117)	**(7,326)**
- reversal of amortization		50			**50**
- impairment losses recognized (included in "Depreciation and impairments")		(77)			**(77)**
- translation adjustments	(11)	11			
- other movements	(1,358)	7,338		(4,308)	**1,672**
At the end of 2004	**3,704**	**19,291**		**4,856**	**27,851**
Gross value	7,304	55,930		15,222	**78,456**
Accumulated amortization	(3,600)	(36,639)		(10,366)	**(50,605)**
Net book value at the end of 2004	**3,704**	**19,291**		**4,856**	**27,851**
- own production				847	**847**
- additions	8	709	1,640	238	**2,594**
- disposals		(36)			**(36)**
- amortization charged (included in "Depreciation and impairments")	(905)	(5,987)		(229)	**(7,120)**
- impairment losses recognized (included in "Depreciation and impairments")		(8)			**(8)**
- allowances emission rights			1,737		**1,737**
- translation adjustments	26	408		1	**435**
- other movements	(55)	1,917		(4,527)	**(2,664)**
At the end of 2005	**2,778**	**16,295**	**3,377**	**1,187**	**23,636**
Gross value	7,332	59,428	3,377	11,135	**81,273**
Accumulated amortization	(4,554)	(43,133)		(9,949)	**(57,636)**
NET BOOK VALUE	**2,778**	**16,295**	**3,377**	**1,187**	**23,636**

"Other movements" of 2004 include the transfer of the assets of Cumerio to "Assets of discontinued operations" for EUR 4,198 thousand.

Other intangible assets at the end of 2004 included an amount of EUR 3,748 thousand corresponding to the expenses incurred in the context of the capital increase of 2003 less the accumulated amortization. These costs have been transferred in 2005 to the equity of the Group. This transfer is included in the line "Other movements" of 2005.

The line "Other movements" includes transfers from "Construction in progress and advance payments" to "Software" (see note 17).

Within the framework of the Kyoto protocol, the EU emission trading system has been put in place in 2005. Therefore the Flemish Government granted a number of emission rights to the Flemish sites of certain companies, including Umicore and covering a period of 3 years (2005-2007). Each year, at the end of February, one third of these emission rights is put on an official register. This release of emission rights is capitalized in the intangible assets following a guidance, issued by the Belgian Accounting Standards Commission.

There are no pledges on, or restrictions to, the title on intangible assets, other than disclosed in note 33.

16 Goodwill

(€ thousand)

	31/12/04	31/12/05
At the end of the preceding financial year		
Gross value	91,445	91,243
Accumulated amortization and impairment	-	-
NET BOOK VALUE OF THE PRECEDING FINANCIAL YEAR	**91,445**	**91,243**
- adjustment from subsequent identification of fair value of assets and liabilities	276	
- translation adjustments	(481)	1,538
- other movements	3	
At the end of the financial year	**91,243**	**92,781**
Gross value	91,243	92,781
Accumulated amortization and impairment	-	-
NET BOOK VALUE	**91,243**	**92,781**

This table includes goodwill related to fully consolidated companies only, while goodwill relating to companies accounted for by the equity method is detailed in note 18.

In accordance with IFRS 3, goodwill may no longer be amortized. As a consequence, the accumulated amortization until 31 December 2003 of EUR 12,396 thousand has been netted with prevailing gross values to constitute the new opening gross value as disclosed in this note.

The goodwill has been allocated to the primary segments as follows:

(€ thousand)

	Advanced Materials	Precious Metals Products & Catalysts	Precious Metals Services	Zinc Specialties	Corporate & Investments	Total
31/12/2004	10,055	53,943	9,842	17,402		**91,243**
31/12/2005	11,174	53,863	9,842	17,902		**92,781**

Management tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units to which goodwill is allocated have been determined based on value-in-use calculations, by means of discounted cash-flow modeling on the basis of the Group's operational plans. The weighted average cost of capital which is used as discounting factor is adjusted to the situation of each business segment and usually exceeds 7%.

17 Property, plant and equipment

(€ thousand)

	Land and buildings	Plant, machinery and equipment	Furniture and vehicles	Other tangible assets	Construction in progress and advance payments	Total
At the beginning of 2004						
Gross value	613,334	1,720,330	180,137	93,295	74,723	**2,681,820**
Accumulated amortization	(333,320)	(1,170,217)	(136,140)	(91,373)		**(1,731,050)**
Net book value at the beginning of 2004	**280,014**	**550,113**	**43,997**	**1,922**	**74,723**	**950,769**
- acquisitions through business combinations		(2,371)	25			**(2,346)**
- additions	7,367	52,030	9,511	276	70,248	**139,432**
- disposals	(649)	(891)	(324)		(88)	**(1,952)**
- amounts charged (included in "Depreciation and impairments")	(19,428)	(91,376)	(13,698)	(599)		**(125,101)**
- impairment losses recognized (included in "Depreciation and impairments")	(72)	(6,624)	(28)			**(6,724)**
- reversal of impairment loss (included in "Other operating income")	15	1	16			**32**
- translation adjustments	(708)	(501)	(78)	(9)	(774)	**(2,070)**
- other movements	(42,449)	(123,406)	2,749	108	(84,748)	**(247,746)**
At the end of 2004	**224,090**	**376,975**	**42,170**	**1,698**	**59,361**	**704,294**
Gross value	522,803	1,429,782	163,760	81,468	59,361	**2,257,174**
Accumulated amortization	(298,713)	(1,052,808)	(121,590)	(79,770)		**(1,552,881)**
Net book value at the end of 2004	**224,090**	**376,975**	**42,170**	**1,698**	**59,361**	**704,293**
- additions	16,633	48,195	10,230	511	67,195	**142,765**
- disposals	(2,983)	(157)	(376)	(312)	(429)	**(4,257)**
- amounts charged (included in "Depreciation and impairments")	(20,246)	(91,358)	(13,116)	(770)		**(125,490)**
- impairment losses recognized (included in "Depreciation and impairments")	(863)	(20,763)	(134)			**(21,761)**
- reversal of impairment loss (included in "Other operating income")	18	60				**78**
- translation adjustments	6,163	10,753	1,131	16	3,146	**21,208**
- other movements	9,026	47,504	3,326	131	(64,028)	**(4,041)**
At the end of the financial year	**231,838**	**371,209**	**43,231**	**1,274**	**65,245**	**712,796**
of which leasing:	95	32	130			**257**
Gross value	552,434	1,530,973	167,826	75,009	65,245	**2,391,487**
Accumulated amortization	(320,596)	(1,159,764)	(124,595)	(73,736)		**(1,678,691)**
NET BOOK VALUE	**231,838**	**371,209**	**43,231**	**1,274**	**65,245**	**712,796**
Leasing						
Gross value	956	59	260			**1,275**
Accumulated amortization	(861)	(27)	(130)			**(1,018)**
NET BOOK VALUE	**95**	**32**	**130**			**257**

Management determines the estimated useful lives and related depreciation charges for property, plant and equipment. Management uses standard estimates based on a combination of physical durability and projected product life or industry life cycles. These useful lives could change significantly as a result of technical innovations, market developments or competitor actions. Management will increase the depreciation charge where useful lives are shorter than previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

"Other movements" in 2004 include the transfer of Cumerio assets to discontinued operations for EUR 238,027 thousand.

The key non-maintenance related additions to property, plant and equipment are attributable to technology and infrastructure developments in Automotive Catalysts (notably new testing facilities in Hanau, Germany and further investment in the new plant in Suzhou, China), the new GASIR® production facility in the US and investments in the plant in South Korea in Advanced Materials which produces cathode material for rechargeable lithium ion batteries, the expansion of the sulphuric acid treatment facility in Precious Metals Refining and new downstream investments in Zinc Specialties.

Impairment losses are mainly due to the reduction of production capacity in the Zinc Alloys business in France and to the closure of a factory in South Africa. No other assets show any indication that they may be impaired.

The line "Other movements" includes transfers from "Construction in progress and advance payments" to the other catogories of property, plant and equipment.

There are no pledges on, or restrictions to, the title on property, plant and equipment, other than disclosed in note 33.

18 Investments accounted for using the equity method

The investments in companies accounted for using the equity method are composed mainly of the following associates and joint ventures:

	Measurement currency	Percentage 2004 (%)	2005 (%)
Associates			
Battery Materials Corporation	JPY	35.00	-
Ganzhou Yi Hao Umicore Industries	CNY	40.00	40.00
IEQSA	PEN	40.00	40.00
Element Six Abrasives	USD	40.22	40.22
Padaeng Industry Public Cy Ltd	THB	46.90	46.90
Jiangmen Chancsun Umicore Industry Co., Ltd	CNY	40.00	40.00
Todini	EUR	-	40.00
Reaxa	GBP	-	21.69
Joint ventures			
Fohl China	CNY	-	50.00
ICT Japan	JPY	50.00	50.00
ICT USA	USD	50.00	50.00
Ordeg	KRW	50.00	50.00
Rezinal	EUR	50.00	50.00

(€ thousand)

	Notes	Net book value	Goodwill	Total
At the end of previous year		**113,311**	**53,923**	**167,234**
- acquisitions through business combinations	9	2,092	1,062	**3,153**
- profit for the year	(a)	34,142		**34,142**
- dividend distributed or received		(8,806)		**(8,806)**
- increase		400		**400**
- disposal		(14,682)		**(14,682)**
- charge for the period	(a)		(3,632)	**(3,632)**
- other reserves	(b)	(16,243)		**(16,243)**
- translation adjustments		16,600	1,815	**18,415**
- other movements		447	(447)	
At the end of the year		**127,261**	**52,721**	**179,982**
of which joint ventures		**37,393**	**355**	**37,748**

(a) Included in "Share of result of companies accounted for by the equity method".

(b) Included in the consolidated statement of all changes in equity.

The goodwill on the associates and joint ventures is tested for impairment in the same way as the goodwill on subsidiaries (see note 16). Following management's analysis, an impairment loss of EUR 3.5 million was recorded to reduce the value of the goodwill related to Umicore's stake in IEQSA, a Peruvian producer of zinc specialty products.

Associates

Umicore's share in the aggregated balance sheet and profit and loss items of the main associates would have been as follows:

(€ thousand)

	31/12/04	31/12/05
Assets	138,127	**177,954**
Liabilities	62,483	**88,627**
Turnover	179,304	**213,433**
Net result	13,669	**20,554**

Joint ventures

Umicore's share in the aggregated balance sheet items of the joint ventures would have been as follows:

(€ thousand)

	31/12/04	31/12/05
Current assets	44,861	**84,754**
Non-current assets	12,401	**19,837**
Current liabilities	25,162	**56,136**
Non-current liabilities	5,864	**11,417**

Umicore's share in the aggregated profit and loss items of the joint ventures would have been as follows:

(€ thousand)

	31/12/04	31/12/05
Operating income	109,999	131,799
Operating expenses	97,043	118,621
Operating result	12,956	**13,178**
Financial result	1,396	**653**
Tax	(4,843)	**(3,929)**
Net result Group	9,509	**9,902**

Umicore and De Beers have simplified the ownership structure of their synthetic diamond joint venture Element Six Abrasives. Umicore's stake was previously structured as a 50% holding by Umicore's Sibeka subsidiary (in which De Beers had a 20% stake). From 2006 Umicore will hold a direct 40% stake in Element Six Abrasives. This change reduces the level of contribution to Umicore's EBIT but results in an equal reduction in minority interests. In the context of this restructuring, the scope of activities included within Element Six Abrasives was extended to include marketing and research capabilities, previously fully owned by De Beers.

Based on its publicly quoted stock price as at the end of 2005, the fair value of Umicore's investment in Padaeng Industry Ltd would be EUR 38,298 thousand.

19 Financial assets

(€ thousand)

NON-CURRENT FINANCIAL ASSETS	Notes	Financial assets available for sale	Loans granted
At the end of the preceding financial year		**16,156**	**4,924**
- increase		1,067	600
- decrease		(836)	(131)
- write-downs		(196)	(588)
- reversal of impairment losses		65	
- translation adjustments		157	521
- fair value recognized into equity	(a)	9,265	
- other movements	(b)	5,338	(1)
At the end of the financial year		**31,016**	**5,324**

CURRENT FINANCIAL ASSETS	
At the end of the preceding financial year	**502**
- increase/decrease at acquisition cost	(237)
- write-downs	141
At the end of the financial year	**406**

(a) Mainly related to the fair value adjustment of Cumerio (based on the closing share price) and of the remaining Traxys shares.

(b) Relates primarily to the Cumerio shares.

Loans granted are mainly floating interest rate loans to associates and non-consolidated affiliates. Their fair value can hence be considered as equal to their nominal value. They are not affected by any credit risk.

20 Inventories

(€ thousand)

Analysis of inventories	31/12/04	31/12/05
Base product with metal hedging - at cost	643,740	755,092
Base product without metal hedging - at cost	113,215	115,318
Consumables - at cost	83,500	78,431
Write-downs	(43,356)	(45,428)
Advances paid	(490)	10,229
Contracts in progress	1,031	1,046
Total inventories	**797,640**	**914,688**

Inventories have increased by EUR 117,048 thousand which reflects predominantly the effect of higher metal prices.

Based on metal prices and currency exchange rates prevailing at the closing date, the value of metal inventory would be about EUR 600 million higher than the current book value. However, most of these inventories cannot be realized as they are tied up in manufacturing and commercial operations.

Inventories per inventory type, are written down to the expected net realizable value (estimated selling price less the estimated costs of completion and the estimated cost necessary to make the sale). The actual selling prices and the costs still to be incurred may differ from the expected amounts.

Following the reduction of the commodity zinc production in France and the closure of Umicore's cobalt refining operations in South Africa, some of the related spare part inventories have been written down for a total of EUR 1,047 thousand.

A write-down which was previously recorded in Precious Metals Services on the value of palladium inventories was written back for EUR 2,661 thousand.

The IAS 39 bookings resulted in a reduction of EUR 5,779 thousand of the value of hedged metal inventories which is reported as a write-down: EUR 15,559 thousand restatement of the 1 January opening balance and EUR 4,402 thousand write-down of the year partly offset by EUR 14,182 thousand reversal of previous write-downs.

On the other inventories, write-downs of EUR 3,138 thousand were recorded in 2005 but were more than offset by the reversal of previously booked write-downs for EUR 6,407 thousand and negative currency translation adjustments for EUR 1,177 thousand.

Advances paid have increased by EUR 10,719 thousand.

There are no pledges on, or restrictions to, the title on inventories.

21 Trade and other receivables

(€ thousand)

NON-CURRENT	Notes	31/12/04	31/12/05
Cash guarantees and deposits		16,715	2,740
Trade receivables maturing in more than 1 year		1,635	1,631
Other receivables maturing in more than 1 year		(1,029)	(1,141)
Assets employee benefits		569	383
Total		**17,890**	**3,613**
CURRENT			
Trade receivables (at cost)		438,179	572,889
Trade receivables (write-down)		(16,172)	(17,239)
Other receivables (at cost)		226,786	149,318
Other receivables (write-down)		(5,518)	(5,174)
Interest receivable		521	535
Fair value receivable financial instruments held for cash flow hedging	32		264
Fair value receivable other financial instruments	32		5,073
Deferred charges and accrued income		17,710	12,049
Total		**661,505**	**717,713**

The provisions for doubtful receivables charged to the income statement in 2005 amounted to EUR 6,122 thousand, but were partly compensated by releases of provisions recorded in prior years.

Trade receivables have increased due to surging metal prices.

The decrease in "Other receivables" is due to the repayment of the outstanding loans of Cumerio, partly offset by a receivable arising from the sale of 80% of Umicore's stake in Traxys and which was settled in January 2006.

22 Deferred tax assets and liabilities

(€ thousand)

Tax assets and liabilities	31/12/04	31/12/05
Current tax assets	9,341	9,570
Deferred tax assets	79,766	139,253
Current tax liabilities	(25,909)	(17,370)
Deferred tax liabilities	(43,907)	(40,899)

Deferred tax in respect of each type of temporary difference	Assets		Liabilities		Net	
	2004	**2005**	**2004**	**2005**	**2004**	**2005**
Property, plant and equipment	1,063	1,618	(16,186)	(14,210)	(15,123)	(12,592)
Goodwill and intangible assets	196	58	(1,155)	(1,061)	(959)	(1,003)
Other investments	1,494		(2)		1,492	
Inventories	1,255	1	(33,531)	(29,404)	(32,276)	(29,403)
Provisions for pensions	8,073	11,446	(527)	(1,192)	7,546	10,254
Other adjustments	7,448	11,209	(12,823)	(17,483)	(5,375)	(6,274)
Impact loss of the year	539	36,067			539	36,067
Deduction in respect of investment incentive	1,420	1,420	(12)	(13)	1,408	1,407
Tax losses and other unused tax credits	24,057	15,325			24,057	15,325
Non deductible provisions	47,038	44,883	(370)	(1,299)	46,668	43,584
Amortization/depreciation/write-off disallowance	7,494	3,567	(706)	(2,376)	6,788	1,191
Deferred taxes recognized directly into equity	1,094	55,810		(16,012)	1,094	39,798
Total tax assets/liabilities	**101,171**	**181,404**	**(65,312)**	**(83,050)**	**35,859**	**98,354**
Compensation of assets and liabilities within same entity	(21,405)	(42,150)	21,405	42,150		
Net amount	**79,766**	**139,254**	**(43,907)**	**(40,900)**	**35,859**	**98,354**
Net tax assets/liabilities	**35,859**	**98,354**				
Deferred tax equity by investments accounted for using the equity method (Element Six Abrasives)	1,428	2,713				
Amount of deductible temporary differences, unused tax losses or tax credits for which no deferred tax asset is recognized in the balance sheet	**144,030**	**190,992**				
expiration date with no time limit	107,539	159,688				
expiration date 7 years	10,280	16,895				
expiration date 15 years (weighted average USA)	26,211	14,409				

Deferred tax assets are only recognized to the extent that their utilization is probable, i.e. if a tax benefit is expected in future periods. The actual tax results in future periods may differ from the estimate made at the time the deferred taxes are recognized.

23 Cash and cash equivalents

(€ thousand)

Cash and cash equivalents	31/12/04	31/12/05
Short-term investments: bank term deposits	16,913	20,292
Short-term investments: term deposits (other)	4,427	1,273
Cash-in-hand and bank current accounts	92,055	84,578
Total cash and cash equivalents	113,395	106,143
Bank overdrafts (included in current financial debt in the balance sheet)	(8,968)	(14,021)
Net cash as in Cash Flow Statement	**104,427**	**92,122**

24 Consolidated statement of changes in equity

(€ thousand)

		Attributable to equity holders of the Group					Minority interest	Total for continuing operations	Equity of discon-tinued operations	Total equity
	Notes	Share capital	Share premiums	Reserves	Currency translation and other reserves	Treasury shares				
Balance at 1 January 2004	3	**562,393**	**96,764**	**583,062**	**(124,856)**		**59,989**	**1,177,352**		**1,177,353**
Changes in post-employment benefit reserves					(7,602)		(896)	(8,498)		**(8,498)**
Changes in share-based payment reserves					1,385			1,385	38	**1,423**
Changes in deferred taxes directly recognized in equity					139		80	219		**219**
Changes in currency translation adjustments					(13,991)		814	(13,177)	(8,001)	**(21,178)**
Net income (expense) recognized directly in equity					**(20,069)**		**(2)**	**(20,071)**	**(7,963)**	**(28,034)**
Result of the period				162,458			14,535	176,993	15,459	**192,452**
Total recognized income				**162,458**	**(20,069)**		**14,533**	**156,922**	**7,496**	**164,418**
Capital increase		768	448					1,216		**1,216**
Dividends				(39,543)			(20,370)	(59,913)		**(59,913)**
Changes in scope							(371)	(371)		**(371)**
Impact of Cumerio		(181,220)	(31,282)	(108,402)	34,453		(231)	(286,682)	286,682	
Balance at 31 December 2004		**381,941**	**65,930**	**597,575**	**(110,473)**		**53,551**	**988,524**	**294,178**	**1,282,702**
Balance at 1 January 2005	3	**381,941**	**62,182**	**592,479**	**(78,861)**	**(27,946)**	**53,317**	**983,112**	**298,476**	**1,281,588**
Changes in financial assets available for sale reserves					9,291		10	9,301		**9,301**
Changes in cash flow hedge reserves					(137,710)		(99)	(137,809)	(3,241)	**(141,050)**
Changes in post-employment benefit reserves					(40,405)		(99)	(40,504)		**(40,504)**
Changes in share-based payment reserves					1,869			1,869		**1,869**
Changes in deferred taxes directly recognized into equity					55,387		77	55,464	657	**56,121**
Changes in currency translation adjustments					54,374		5,025	59,399	5,313	**64,712**
Net income (expense) recognized directly in equity					**(57,195)**		**4,914**	**(52,280)**	**2,729**	**(49,551)**
Result of the period				127,915			12,427	140,342	14,285	**154,627**
Total recognized income				**127,915**	**(57,195)**		**17,341**	**88,062**	**17,014**	**105,076**
Capital increase		7,410	5,385					12,795		**12,795**
Dividends				(41,582)			(6,208)	(47,790)		**(47,790)**
Changes in treasury shares						(632)		(632)		**(632)**
Changes in scope							(20,124)	(20,124)		**(20,124)**
Impact of discontinued operations									(315,490)	**(315,490)**
Balance at 31 December 2005		**389,350**	**67,568**	**678,811**	**(136,055)**	**(28,578)**	**44,326**	**1,015,422**		**1,015,422**

The legal reserve of EUR 32,745 thousand which is included in the retained earnings is not available for distribution.

The share capital of the Group as at 31 December 2005 was composed of 25,811,050 shares with no par value.

The detail of the currency translation and other reserves is as follows:

(€ thousand)

	Financial assets available for sale reserves	Cash flow hedge reserves	Deferred taxes recognized directly in equity	Post-employment benefit reserves	Share-based payment reserves	Currency translation adjustments	TOTAL
Balance at 1 January 2004			**2,384**	**(14,546)**		**(112,694)**	**(124,856)**
Gains and losses recognized in equity			219	(8,459)	1,423		**(6,817)**
Exchange differences			(80)	857		(21,992)	**(21,215)**
Impact of Cumerio demerger					(38)	42,454	**42,416**
Balance at 31 December 2004			**2,522**	**(22,148)**	**1,385**	**(92,232)**	**(110,473)**
Balance at 1 January 2005		**47,107**	**(12,973)**	**(22,148)**	**1,385**	**(92,232)**	**(78,861)**
Gains and losses recognized in equity	9,265	(92,604)	40,087	(38,031)	1,869		**(79,414)**
Gains and losses derecognized from equity		(44,893)	15,070				**(29,824)**
Exchange differences	26	(213)	230	(2,374)		54,374	**52,043**
Balance at 31 December 2005	**9,291**	**(90,603)**	**42,415**	**(62,553)**	**3,255**	**(37,858)**	**(136,055)**

Gains and losses recognized in equity on financial assets available for sale relate to the fair value adjustments of the period on Cumerio and Traxys participations (see note 19, Financial assets).

The net losses recognized in equity regarding cash flow hedges (EUR 92,604 thousand) are the changes in fair value of new cash flow hedging instruments or existing at the opening but which have not yet expired at year end. The net gains derecognized from equity (EUR 44,893 thousand) are the fair values of the cash-flow hedging related instruments which expired during the year.

New actuarial losses on the defined post-employment benefit plans, have been recognized in equity for EUR 38,031 thousand of which EUR 11,545 thousand relates to associates (see note 27, Provisions for employee benefits).

The 2005 stock option plan grant has led to a share base payment reserve of EUR 1,869 thousand (see note 11 on employee benefits).

25 Financial debt

(€ thousand)

NON-CURRENT	Capital lease debts and similar obligations	Bank loans	Other loans	Total
At the end of the preceding financial year	**5,177**	**402,063**	**232**	**407,472**
- Increase		20,007		**20,007**
- Decrease	(382)	(175,990)	(10)	**(176,383)**
- Translation adjustments		100		**100**
- Transfers	(21)	(150,734)	150,000	**(755)**
- Other movements		(12)		**(12)**
At the end of the financial year	**4,774**	**95,433**	**150,222**	**250,429**
CURRENT PORTION OF LONG-TERM FINANCIAL DEBT				
At the end of the preceding financial year	**410**	**17,459**	**39**	**17,908**
- Increase / (decrease)	(22)	(15,080)	(13)	**(15,116)**
At the end of the financial year	**388**	**2,379**	**27**	**2,794**
CURRENT	**Short term bank loans**	**Bank overdrafts**	**Other loans**	**Total**
At the end of the preceding financial year	**252,907**	**8,968**	**11,003**	**272,878**
- Increase / (decrease)	(107,213)	5,053	197,485	**95,325**
At the end of the financial year	**145,694**	**14,021**	**208,488**	**368,203**

The net financial debt of the Group has decreased by EUR 76,834 thousand as a result of positive cash flows. The Group paid down both short and medium-term bank loans, the effect of which was partly offset by an increase in issued short-term commercial paper.

The EUR 150 million 8-year bond issued in 2004, which was previously reported as a long-term bank loan, has been reclassified to "Other loans". Similarly, the issued commercial paper has been reclassified from short-term bank loans to other loans for EUR 194,110 thousand.

(€ thousand)

A. Analysis by maturity dates	2007	2008	2009	After 2009	Total
Capital lease debts and similar obligations	374	351	392	3,657	**4,774**
Long-term bank loans	293	79	75,062	20,000	**95,433**
Other long-term loans	222			150,000	**150,222**
Non-current financial debts	**889**	**430**	**75,454**	**173,657**	**250,429**

B. Analysis of long-term debts by currencies (including current portion)	Euro	US Dollar	Other currencies	Total
Capital lease debts and similar obligations	5,162			**5,162**
Long-term bank loans	97,799		12	**97,812**
Other long-term loans	150,222		27	**150,249**
Non-current financial debt	**253,183**		**39**	**253,223**

The fair value of the EUR 150 million 8-year bond which was issued in 2004 was EUR 156.2 million as at 31 December 2005, based on the bond value as quoted on Euronext at that date. The effective interest rate for this bond is 4.875% which is equal to the fixed interest rate.

The long-term bank loans maturing in 2009 for an amount of EUR 75,062 thousand have floating interest rates and their fair value can hence be considered as equal to the nominal value.

26 Trade debt and other payables

(€ thousand)

Non-current	Notes	Deferred income government grants	Trade and other long-term debts	Total
At the end of the preceding financial year		**1,812**	**220**	**2,032**
- Repayment			(52)	(52)
- Recognized in result		(191)		(191)
- Translation adjustments		(8)		(8)
At the end of the financial year		**1,613**	**167**	**1,780**

Current	Notes	**31/12/04**	**31/12/05**
Trade payables		338,338	430,936
Advances received on contracts in progress		80	25
Taxes payable other than income tax		10,255	13,375
Payroll and social security payables		95,758	109,530
Other amounts payable		195,100	103,346
Dividends payable		1,655	4,932
Accrued interest payable		8,215	7,742
Fair value payable financial instruments held for cash flow hedging	32		85,157
Fair value payable other financial instruments	32		9,793
Accrued charges and deferred income		66,798	77,727
		716,199	**842,562**

Trade payables have increased as a result of surging metal prices.

27 Provisions for employee benefits

The Group has various legal and constructive defined benefit obligations, the vast majority of which are situated in the Belgian, French and German operations and most of them being "final pay" plans.

(€ thousand)

	Post-employment benefits, pensions and similar	Post-employment benefits - other	Termination benefits early retirement and similar	Other long-term employee benefits	Total
At the end of the preceding financial year	**90,920**	**16,730**	**72,523**	**17,664**	**197,837**
- Increase	12,588	2,137	6,766	1,928	23,419
- Reversal	(3,894)		(1,268)	(477)	(5,639)
- Use (included in "Payroll and related benefits")	(11,679)	(1,549)	(21,364)	(2,526)	(37,118)
- Interest and discount rate impacts (included in "Finance cost - Net")	3,504	774	3,152	806	8,236
- Translation adjustments	504	89	(1)		592
- Transfers	(372)		4,371	(35)	3,963
- Recognized in equity	20,903	5,682			26,585
At the end of the financial year	**112,474**	**23,863**	**64,178**	**17,359**	**217,874**

(€ thousand)

	31/12/2004	Movements 2005	31/12/2005
Belgium	74,052	3,138	77,190
France	25,386	4,059	29,445
Germany	90,286	9,544	99,830
Subtotal	**189,724**	**16,741**	**206,465**
Other entities	8,113	3,296	11,409
Total	**197,837**	**20,037**	**217,874**

The 2005 movements include the regular uses and increases in all entities and some termination obligations following the 2005 restructuring programme in France. Management expects cash outflows in the short term to stay in the same order of magnitude as the outflows of prior and current year.

The following disclosure requirements under IAS 19 amended were derived from the reports obtained for the material benefit plans from external recognized actuaries.

(€ thousand)

Change in defined benefit obligation (DBO)	**2004**	**2005**
DBO at beginning of the year	**266,737**	**270,462**
Current service cost and new obligations	7,306	14,860
Interest cost	12,486	11,708
Contributions by plan participants	112	23
Actuarial gains and losses	9,499	28,163
Foreign currency exchange rate changes	(82)	1,045
Benefits paid	(23,367)	(33,850)
Past service cost		354
Transfer	5,072	5,236
Demerger Cumerio Belgium and Holding	(6,415)	(1,604)
Curtailments and settlements	(885)	(760)
DBO at end of the year	**270,462**	**295,637**
Change in plan assets		
Fair value of plan assets at the beginnig of the year	**68,356**	**71,173**
Expected return on plan assets	3,573	3,484
Actuarial gains and losses	186	(1,779)
Employer contributions	4,616	21,096
Plan participant contributions	67	266
Benefits paid	(3,082)	(17,454)
Transfer		1,020
Demerger Cumerio Belgium and Holding	(2,543)	(1,351)
Fair value of plan assets at the end of the year	**71,173**	**76,455**
Actual return on plan assets	3,759	1,697

Pension plans in Belgium and France are wholly or partly funded with assets covering a substantial part of the obligations. Plan assets are predominantly invested in insurance contracts and bank term deposits. All other plans are unfunded.

(€ thousand)

Reconciliation of present value with liability in the balance sheet	2004	2005
Present value of obligations wholly or partly funded	(82,841)	(112,768)
Present value of obligations unfunded	(187,621)	(182,869)
Fair value of plan assets of funds	71,173	76,455
Total funded status	**(199,289)**	**(219,182)**
Unrecognized past service costs	1,452	1,308
Liability in the balance sheet	**(197,837)**	**(217,874)**
Amounts recognized in the profit or loss of the year		
Current service cost and new obligations	7,306	14,860
Interest cost	12,486	11,708
Expected return on plan assets	(3,573)	(3,484)
Amortization of actuarial losses/ (gains)	4,828	3,357
Amortization of past service costs	144	422
Curtailments and settlements	(885)	(760)
Total expense of the financial year	**20,306**	**26,103**

The interest cost and return on plan assets as well as the discount rate impact on the non-post employment benefit plans included in the amortized actuarial losses or gains, are recognized under the finance cost in the income statement (see note 12). All other elements of the expense of the year are classified under the operating result. Transfers from other provisions cover termination benefit obligations negotiated in 2005 with the employee representatives after the announcement of the restructuring of the Auby and Calais site, the estimates of which were initially booked under the restructuring provisions in that period (see note 30).

(€ thousand)

Amounts recognized in the statement of recognized income and expense (SoRIE)	2004	2005
Actuarial gains and losses of the year	4,485	26,585
Cumulative actuarial gains and losses	(138)	4,347
Total recognized in the SoRIE	**4,347**	**30,932**

Actuarial losses of the year originate mainly from the lower discount rates used for all pension plans, the update of mortality tables for the German plans, the increase of the medical cost trend rate for the related plans in France and the lower actual return on plan assets for the pension plans in Belgium.

(%)

Actuarial assumptions	2004	2005
Discount rates (%)	4.58	4.15
Expected return on plan assets (%)	5.08	5.08
Expected rates of salary increase (including inflation) (%)	2.94	3.00
Medical cost trend rates (%)	4.26	4.46

An increase or a decrease of the discount rate by 0.5 percentage would respectively reduce the defined benefit obligations by EUR 13 to 14 million or increase by EUR 14 to 15 million.

28 Stock option plans granted by the company

Description of the stock option plans

Plan	Expiry date	Exercise	Old exercise price EUR before Cumerio demerger (the exercice price may be higher in certain countries)	New exercise price EUR after Cumerio demerger (the exercice price may be higher in certain countries)	Number of options still to be exercised
ESOP 1999 (10 years)	10.06.2009	once a year: from	36.60	26.10	51,385
		May 20 until June 10	37.29	26.79	18,965
					70,350
ISOP 2000 (7 years)	13.03.2007	all working days of	30.50	20.00	33,190
	31.05.2007	Euronext Brussels	32.57	22.07	7,290
	(in certain countries		34.78	24.28	8,000
	other than Belgium)		39.50	29.00	
					48,480
ISOP 2001 (7 years)	14.03.2008	all working days of	41.44	30.94	8,700
		Euronext Brussels	41.80	31.30	
			42.43	31.93	76,755
					85,455
ISOP 2002 (7 years)	14.03.2009	all working days of	38.02	27.52	2,125
		Euronext Brussels	46.11	35.61	26,230
			48.15	37.65	278,140
					306,495
ISOP 2003 (7 years)	13.03.2010	all working days of	34.18	23.68	200,660
		Euronext Brussels	35.10	24.60	24,530
					225,190
ISOP 2003 bis	13.03.2010	all working days of	44.00	33.50	7,000
		Euronext Brussels			
					7,000
ISOP 2004	11.03.2011	all working days of	52.05	41.55	70,950
		Euronext Brussels	53.70	43.20	32,600
					103,550
ISOP 2005	16.06.2012	all working days of		64.60	137,100
		Euronext Brussels		68.30	4,000
					141,100
Total					**987,620**

- ESOP refers to "Employee Stock Option Plan" (world-wide plan for hourly and monthly-paid employees and managers).
- ISOP refers to "Incentive Stock Option Plan" (world-wide plan for managers).
- The ISOP 2003 bis plan was set up in the first semester of 2004 for executives of PMG who joined Umicore as a result of the acquisition.

The stock options, which are typically vested at the time of the grant, will be settled with existing treasury shares or newly-created shares. Options which have not been exercised before the expiry date, elapse automatically.

(€ thousand)

Details of the share options outstanding during the year	2004		2005	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at the beginning of the year	**1,642,385**	**28.77**	**1,468,915**	**30.63**
Granted during the year	144,300	41.21	141,100	64.70
Exercised during the year	317,770	25.83	622,395	28.90
Outstanding at the end of the year	**1,468,915**	**30.63**	**987,620**	**36.58**
Exercisable at the end of the year	1,468,915	30.63	987,620	36.58

29 Environmental provisions

(€ thousand)

	Provisions for soil clean-up & site rehabilitation	Other environmental provisions	Total
At the end of the preceding financial year	**87,497**	**41,022**	**128,519**
- Increase	10,711	8,584	19,295
- Reversal	(397)	(9,335)	(9,733)
- Use (included in "Other operating expenses")	(7,731)	(5,492)	(13,223)
- Actualization (included in "Finance cost -net")	2,360	4	2,364
- Translation adjustments	72	18	90
- Transfers	4,385	(4,385)	
- Other movements	1		1
At the end of the financial year	**96,897**	**30,416**	**127,313**
Of which - Non-current	71,773	26,883	98,657
- Current	25,124	3,533	28,656

Provisions for environmental legal and constructive obligations are recognized and measured by reference to an estimate of the probability of future cash outflows as well as to historical data based on the facts and circumstances known at the reporting date. The actual liability may differ from the amounts recognized.

Provisions for environmental matters decreased by EUR 1,206 thousand, with additional provisions being mostly compensated by uses and reversals of existing provisions. In the context of the reduction of the zinc smelting capacity in France, a provision of EUR 10.3 million was constituted to cover the cost of cleaning up the sites where production lines were shut down.

Umicore has developed innovative technology for the compacting of residues from the zinc smelting activities. Investments are being made to implement such technology in the zinc smelting plants in Belgium and France and will result in a significant reduction of the volume of residues to be stored in ponds and, hence, a significant extension of the lifetime of the existing ponds. As a result, provisions which were gradually constituted in prior years for the cost of covering the ponds at the end of their useful life, have been reduced to reflect their revised lifetime. In the same context, Umicore has made provisions to re-process some residues from past production using the same compacting technology.

Most of the use of provisions for the period are linked to the realization of site rehabilitation programmes and treatment of waste materials at Belgian sites.

Also, at one of the Flemish sites (Olen), the storage of low level radioactive waste from past productions is being closely monitored and discussions are ongoing with the federal authorities on how to deal with these materials. A provision of EUR 2.7 million exists to cover the cost of monitoring the current storage facility and further studies. No other provision exists in relation to this matter as it is difficult to estimate if other measures might be required in the future and what their cost would be.

Further, a provision of EUR 2.2 million exists in order to address the radioactive contamination in the surroundings of the site and to store waste material inside the plant.

A material portion of the provisions for soil clean-up and site rehabilitation relate to projects in Belgium and France. Management expects the most significant cash outflows on these projects to take place in the coming 1 to 6 years.

30 Provisions for other liabilities and charges

(€ thousand)

	Provisions for reorganization & restructuring	Provisions for other liabilities and charges	Total
At the end of the preceding financial year	**14,484**	**40,237**	**54,721**
- First time adoption of IAS 39		3,531	**3,531**
- Increase	17,356	9,157	**26,514**
- Reversal	(2,561)	(15,249)	**(17,810)**
- Use (included in "Other operating expenses")	(5,312)	(6,239)	**(11,551)**
- Actualization (included in "Finance cost - net")	140		**140**
- Translation adjustments	5	1,100	**1,106**
- Transfers	(4,371)		**(4,371)**
At the end of the financial year	**19,742**	**32,537**	**52,279**
Of which - Non-current	15,406	28,461	**43,867**
- Current	4,336	4,076	**8,412**

Provisions for reorganization and restructuring and for tax, warranty and litigation risks, onerous contracts and product returns are recognized and measured by reference to an estimate of the probability of future outflow of cash as well as to historical data based on the facts and circumstances known at the reporting date. The actual liability may differ from the amounts recognized.

Total provisions for other liabilities and charges have decreased from EUR 54,721 thousand to EUR 52,279 thousand in 2005.

A provision for restructuring of EUR 15 million was set-up in relation to the restructuring programme in France which resulted from the decision to reduce zinc smelting capacity.

Part of this provision was used in 2005 and had therefore to be transferred to the provisions for employee benefits in the course of 2005.

The provisions for other liabilities and charges cover mainly tax, litigation and warranty matters in Germany and the United States.

They also include provisions for onerous contracts related to the IAS 39 effect (see note 10). In the balance sheet the provision for onerous contracts is EUR 665 thousand being the result of an opening balance of EUR 3,531 thousand, a charge for the period of EUR 628 thousand and a reversal of EUR 3,493 thousand.

31 Notes to the cash flow statement

Definitions

The cash flow statement identifies operating, investing and financing activities for the period.

The indirect method was used for the operating cash flows. The net profit and loss is adjusted for:

- the effects of non-cash transactions such as provisions, write-downs, etc., and the variance in operating capital requirements.
- items of income or expense associated with investing or financing cash flows.

(€ thousand)

	31/12/04	31/12/05
Adjustment for non cash transactions		
Depreciation	132,439	132,613
Adjustment IAS 39		6,333
Reclassification of discontinued charges	(989)	(4,171)
(Reversal) Impairment charges	8,418	19,351
Exchange difference on long-term loans		(15,257)
Write-downs (backs) on financial fixed assets	12,640	578
Inventories and bad debt provisions	13,672	3,221
Depreciation on government grants	(218)	(191)
Share-based payments	1,385	1,869
Change in provisions	(25,862)	(12,242)
Other		578
	141,485	**132,682**
Adjustment for items to disclose separately or under investing and financing cash flows		
Tax charge of the period	45,913	18,649
Interest (income) charges	22,711	21,636
(Gain) loss on disposal of fixed assets	(3,076)	809
Dividend income	(1,350)	(434)
Other		(578)
	64,198	**40,082**

The variance of the line "Change in working capital requirements" represents the difference in inventories, trade and other receivables and trade and other payables, where necessary restated for:

- Write-downs and provisions for bad debts
- Impact of changes in the scope of consolidation
- Impact of currency translation differences
- Impact of the mark-to-market of the cash flow hedge contracts

The investing cash flows related to acquisitions (and disposals) of subsidiaries are reported net of the cash acquired (or disposed of) (see note 9, Business combinations).

Comments on the cash flow statement

A) Net cash flow generated by operating activities

The 2005 operational cash flow is EUR 79,471 thousand lower than the comparable figure for 2004. This decrease primarily reflects the impact of the reduced USD exchange rate protection offered by the company's cash flow hedges. Working capital requirements increased in the second half of 2005 as a result of surging metals prices and also customers, notably in the automotive sector, stretching payments past the cut-off date of 31 December. As a result, working capital requirements increased by EUR 77,016 thousand.

B) Net cash flow used in investing activities

Net cash requirements for investing activities decreased by EUR 93,939 thousand in 2005, mainly due to the reimbursement by Cumerio of their debt toward the Group.

Capital expenditure reached EUR 144,567 thousand, in line with the level of 2004. The key non-maintenance related items are attributable to technology and infrastructure developments in Automotive Catalysts (notably new testing facilities in Hanau, Germany and further investment in the new plant in Suzhou, China), the new GASIR® production facility in the US and investments in the plant in South Korea in Advanced Materials, the expansion of the sulphuric acid treatment facility in Precious Metals Refining and new downstream investments in Zinc Specialties

C) Net cash flow used in financing activities

The cash flow used in financing activities reflects mainly the payment of dividends (EUR 47,357 thousand), the net decrease of loan payables (EUR 90,081 thousand) and the net interests paid on these loans (EUR 25,029 thousand). These are partly compensated by a capital increase of EUR 12,795 triggered by the exercise of stock options by the personnel of the Group.

32 Financial instruments

Umicore uses metal derivatives quoted mainly on the London Metal Exchange, currency derivatives and Interest Rate Swaps with reputated brokers and banks and this to hedge its structural and transactional metal, currency and interest rate risks.

a) financial instruments related to cash-flow hedging

(€ thousand)

	Notional or Contractual amount		Fair value	
	1/01/2005	31/12/2005	1/01/2005	31/12/2005
Forward commodities sold	**192,499**	**385,412**	**(12,362)**	**(75,440)**
Forward commodities bought	**(13,120)**	**(6,193)**	**5,006**	**264**
Forward currency contracts sold	**357,043**	**374,634**	**61,015**	**(7,479)**
Forward IRS contracts	**216,000**	**60,000**	**(6,200)**	**(2,238)**
Total fair value impact subsidiaries			**47,458**	**(84,894)**
Recognized under trade and other receivables				264
Recognized under trade and other payables				(85,157)
Total fair value impact associates and joint ventures			**(308)**	**(5,766)**
Total Group			**47,150**	**(90,660)**

The principles and documentation on the hedged risks as well as the timing related to the Group's cash flow hedging operations are included in note 4, Financial risk management.

The fair values of the effective hedging instruments are in first instance recognized in the fair value reserves recorded in equity and are derecognized when the underlying forecasted or committed transactions occur (see note 24).

b) other financial instruments

(€ thousand)

	Notional or Contractual amount		Fair value	
	1/01/2005	31/12/2005	1/01/2005	31/12/2005
Forward LME sales	**97,797**	**192,786**	**(656)**	**(23,447)**
Forward LME purchases	**(134,309)**	**(114,464)**	**13,945**	**20,851**
Forward currency contracts sold	**216,888**	**151,810**	**6,217**	**(2,299)**
Forward currency contracts bought	**(34,247)**	**(55,559)**	**(444)**	**175**
Total fair value impact subsidiaries			**19,062**	**(4,720)**
Recognized under trade and other receivables				**5,073**
Recognized under trade and other payables				**(9,793)**
Total fair value impact associates and joint ventures			**(4,222)**	**(401)**
TOTAL			**14,840**	**(5,121)**

The principles and documentation related to the Group's transactional hedging are included in note 4, Financial risk management. In the absence of hedge accounting documentation as defined under IAS 39, financial instruments used to hedge transactional risks for metals and currencies are measured as if they were held for trading. However, such instruments are being used to cover existing transactions and firm commitments and are not speculative in nature.

The fair values are immediately recognized in the income statement under "Other operating income" for the commodity instruments and the "Finance cost-net" for the currency instruments.

33 Off balance sheet commitments

(€ thousand)

RIGHTS AND COMMITMENTS NOT REFLECTED IN THE BALANCE SHEET	31/12/2004	31/12/2005
Guarantees constituted by third parties on behalf of the Group	33,940	34,882
Guarantees constituted by the Group on behalf of third parties	12,818	10,854
Guarantees received	23,242	21,540
Goods and titles held by third parties in their own names but at the Group's risk	324,377	452,210
Commitments to acquire and sell assets	235	245
Commercial commitments for commodities purchased (to be received)	108,520	154,329
Commercial commitments for commodities sold (to be delivered)	255,408	281,521
Goods and titles of third parties held by the Group	624,360	1,012,282
Miscellaneous rights and commitments	6,904	4,312
	1,389,804	**1,972,175**

A. Guarantees constituted by third parties on behalf of the Group

are secured and unsecured guarantees given by third parties to the creditors of the Group guaranteeing that the Group's debts and commitments, actual and potential, will be satisfactorily discharged.

B. Guarantees constitued by the Group on behalf of third parties

are guarantees or irrevocable undertakings given by the Group in favour of third parties guaranteeing the satisfactory discharge of debts or of existing or potential commitments by the third party to its creditors.

C. Guarantees received

are pledges and guarantees received guaranteeing the satisfactory discharge of debts and existing and potential commitments of third parties towards the Group, with the exception of guarantees and security in cash.

D. Goods and titles held by third parties in their own names but at the Group's risk

represent goods and titles for which the Group bears the risk and takes the profit, but where these goods and titles are not present on the premises of the Group. It concerns mainly inventories leased out to third parties or held under consignment or under tolling agreement by third parties.

E. Commercial commitments

are firm commitments to deliver or receive metals to customers or from suppliers at fixed prices.

F. Goods and titles of third parties held by the Group

are goods and titles held by the Group, but which are not owned by the Group. It concerns mainly third party inventories leased in or held under consignment or tolling agreements with third parties.

34 Contingencies

The Group has certain pending files that can be qualified as contingent liabilities or contingent assets, according to the definition of IFRS .

Environmental issues

See note 29 on environmental provisions where the topic is covered in detail including the status from a contingency point of view.

Barclays Physical Trading Ltd

Pursuant to the opening of the insolvency proceedings against Enron, Umicore put an end to two contracts for the sale of copper cathodes as it had not obtained payment for the lots sold. Before delivery by Umicore, Enron had already sold 11,000 tonnes to Barclays Physical Trading Ltd within the frame of a financing arrangement entered into by these two companies.

In January 2002 Barclays Physical Trading Ltd initiated legal proceedings against Umicore to obtain delivery of these cathodes or a payment of USD 16.2 million (interest to be added). In June 2003 the Brussels Court rejected this claim as unfounded and ordered Barclays Physical Trading to pay damages of EUR 793 thousand to Umicore. Barclays lodged an appeal against this judgment before the Brussels Court of Appeal and claims damages at the highest official value of 11,000 tonnes of cathode with a minimum of USD 16.2 million. At the end of the year 2005, that claim amounts to approximately USD 49.2 million. Pleadings will probably take place in the course of the judicial year 2005-2006. Meanwhile, Barclays Physical Trading Ltd has blocked the sum of EUR 793 thousand with a bailiff.

Concerning Enron, Umicore has declared its claims to the judicial administrators of Enron who have not yet taken a final position regarding the claims of Umicore.

Plastic Investment Company

In June 1999, Umicore sold to Plastic Investment Company (PIC), a subsidiary of the Belgian-listed company TrustCapital, its stake in Overpelt-Plascobel (OVP) for a price of EUR 15.49 million (BEF 625 million). In April 2000, PIC initiated a legal procedure aiming at obtaining damages amounting to the original purchase price for use of fraudulent and deceptive actions by Umicore during the negotiation process to mislead the purchaser about OVP's substance and its level of profitability. Umicore strongly objected to this and filed a memorandum detailing its position with the Commercial Court of Brussels in September 2002. As of today the proceeding is still pending but Umicore also believes that the case developed by PIC is without any merit.

Former employees of Gécamines

Several former employees of Gécamines, the Congolese state-owned entity which took over the assets of Union Minière in 1967 following its expropriation, filed claims against Umicore for the payment of amounts due by Gécamines following their dismissal by the latter. Société Générale des Minerais, whose rights and obligations have been taken over by Umicore following several reorganizations, had indeed accepted, from 1967 to 1974, to pay certain employees of Gécamines certain elements of their remuneration in the event of default by Gécamines. In 1974, Gécamines had agreed to hold Umicore harmless in this respect. The validity of this guarantee might be contested, however Umicore believes that this position is without any merit.

Even if Umicore would be forced in certain cases to pay certain amounts to former employees, the company believes that overall, and based on current prevailing case law, the outcome of these procedures should not have a major financial impact on the Group. It is, however, impossible to make any prediction on the final outcome of this proceeding.

VAT settlement with the Belgian special tax inspection, examined by the European authorities

Although the company believed it had solid arguments to successfully defend itself against the claim of the Belgian special tax inspection ("BBI/ISI") before the courts, in December 2000 the Group entered into a settlement agreement with the Belgian special tax inspection regarding VAT allegedly due on the intra-community delivery of silver to Italian and Swiss companies. The company's settlement with the Belgian tax authorities on this issue is legally valid, final and subject to confidentiality. However, a complaint against unknown persons was filed by a few individuals leading to an official investigation. This has led to documents pertaining to the settlement being seized both at the premises of the company as well as the premises of the special tax inspection. The company firmly believes that, as far as it is concerned, this complaint is without merit. The European Commission suspended the formal investigation sine die on the case in question, in the framework of the state aid previously initiated. Umicore believes that this investigation will not come to the conclusion of the existence of state aid.

Others

In addition to the above, the Group is the subject of a number of claims and legal proceedings incidental to the normal conduct of its business. Management does not believe that such claims and proceedings are likely, on aggregate, to have a material adverse effect on the financial condition of Umicore.

35 Related parties

(€ thousand)

TRANSACTIONS WITH JOINT VENTURES AND ASSOCIATES	31/12/04	31/12/05
Purchases of goods	170,662	74,401
Services bought	1,804	1,581
Financial expenses	2	355
Sales of goods	69,316	90,917
Services delivered	1,735	3,650
Financial income	2	106
Dividends received	8,747	8,806
OUTSTANDING BALANCES WITH JOINT VENTURES AND ASSOCIATES		
Loans	2,560	2,967
Current trade and other receivables	23,263	15,024
Current trade and other payables	30,463	10,589

The sharp decrease in purchases is due to the decrease of transactions with Traxys.

Key management compensation

(€)

BOARD OF DIRECTORS *	2004	2005
- Salaries and other compensation:	**392,201**	**369,495**
Fixed portion	185,951	172,207
Variable portion (based on attended meetings)	206,250	197,288
- Number of shares held	**29,823**	**38,458**
- Number of stock options	**4,000**	**4,000**

* excluding Thomas Leysen (see Executive Committee)

No variable or other compensation element (apart from attendance-related fees) is associated with directorship. No loan or guarantees have been granted by the company to members of the Board.

(€)

EXECUTIVE COMMITTEE	2004	2005
- Salaries and other compensation:	**4,214,526**	**3,988,151**
Fixed portion	2,730,440	2,574,251
Variable portion (based on the year's performance)	1,484,086	1,413,900
- Extra-legal pension scheme	**677,552**	**949,847**
- Number of shares held	**180,600**	**199,350**
- Number of stock options	**192,500**	**199,500**

36 Events after the balance sheet date

Umicore announced after the Board of Directors' meeting of 15 February 2006 that a gross dividend of EUR 1.85 per share would be proposed to the Annual Shareholders Meeting, corresponding to a total dividend payment of EUR 46,582,913 based on the total number of outstanding shares but excluding treasury shares.

In February 2006, Umicore signed an agreement to purchase the assets of the leading producer of brazing alloys in China, Zhenjang Huanyu Xingchen Welding Materials Co. Ltd (Global Stars), based in Yangzhong, northwest of Shanghai. In 2005, Global Stars generated revenues of approximately EUR 16 million including precious metals. The investment amounts to approximately EUR 11 million including equipment upgrades and is expected to be accretive in 2007. The company will be fully integrated in Umicore's world-wide Technical Materials and BrazeTec business network and operate under the name of Umicore Technical Materials Yangzhong.

In February 2006, Umicore acquired a 60% stake in a zinc operation located in Kunming, China. The remaining 40% will be held by YNCopper Group. The new investment enables Umicore to develop its position in the Chinese market for zinc alloys used in the domestic die-casting and general galvanizing segments. The Kunming facility consists of a refinery, which was commissioned in 2002 and which has an annual capacity of close to 50,000 tonnes. It is set to become a dedicated alloying operation within the next two years. The operation will be integrated into Umicore's Zinc Alloys business and will be known as Umicore Yunnan Zinc Alloys Co Ltd. The initial investment amounts to approximately EUR 12 million and is expected to be earnings accretive from the start.

In February 2006, Umicore closed a transaction (announced in November 2005) to become owner of the assets and business activities of Suzhou Alloy Material Factory Co. Ltd (China), a leading producer of precious-metals-containing contact materials. The investment of approximately EUR 7.5 million is expected to be earnings accretive within one year.

In line with its hedging policy, Umicore locked in a further portion of its zinc price exposure for 2007. In March 2006 Umicore announced that about 70% of its zinc price exposure for 2007 was hedged at an average forward price of EUR 1,465 per tonne. Umicore also extended its zinc hedging to cover approximately 80% of its exposure for the first three months of 2008 at an average forward price of EUR 1,635 per tonne.

In March 2006, Umicore and Solvay reached an agreement in principle to join forces in the research, development, production and sales of Membrane Electrode Assemblies (MEA) and related compounds, to be used in Fuel Cell applications. The 50-50 percent joint venture, named SolviCore, will be based in Hanau, at Umicore's main R&D site in Germany. It is expected to become fully operational on 1 July 2006 and will employ 34 people in the first stage of its development.

37 Earnings per share

(€)

	2004	2005
Excluding discontinued operations		
EPS declared - basic	6.34	4.85
EPS declared - diluted	6.24	4.76
Including discontinued operations		
EPS declared - basic	7.21	5.68
EPS declared - diluted	7.09	5.57

The following earnings figures have been used as the numerator in the calculation of basic and diluted earnings per share:

(€ thousand)

	2004	2005
Net consolidated profit - Group share		
- without discontinued operations	156,586	121,425
- with discontinued operations	177,916	142,201

The following numbers of shares have been used as the denominator in the calculation of basic and diluted earnings per share:

For basic earnings per share:

	2004	2005
Total shares outstanding as at 1 January	25,420,175	25,454,875
Total shares outstanding as at 31 December	25,454,875	25,811,050
Weighted average number of outstanding shares	24,692,420	25,035,626

During 2005, 356,175 new shares were created as a result of the exercise of stock options with linked subscriptions rights. During the year Umicore bought back 186,500 of its own shares. On 31 December 2005 Umicore owned 631,097 of its own shares, representing 2.45% of the total number of shares issued as at that date.

Treasury shares which are held to cover existing stock option plans or are available for resale, are not included in the number of outstanding shares.

For diluted earnings per share:

	2004	2005
Weighted average number of outstanding shares	24,692,420	25,035,626
Potential dilution due to stock option plans	389,722	500,306
Adjusted weighted average number of ordinary shares	25,082,142	25,535,932

The denominator for the calculation of diluted earnings per share takes into account an adjustment for stock options.

38 Discontinued operations

On 28 April 2005, Umicore's shareholders approved the demerger of the company's copper activities into a separately listed company called Cumerio. On 29 April 2005 Cumerio was listed on the Eurolist. The net profit of Cumerio for the period which precedes the demerger is reported in the consolidated statements of Umicore as "Discontinued Operations", after deduction of the demerger costs. More detailed elements of the financial statements of the discontinued operations have been prepared below, in accordance with IFRS 5. In November 2005, Umicore agreed to sell 80% of its interest in Traxys (Luxemburg) in which Umicore's stake was 50%.

Income Statement

		(€ thousand)
	31/12/2004	**31/12/2005**
Turnover	1,524,799	573,361
Operating income	1,530,112	576,732
Operating expenses	(1,510,844)	(553,916)
RESULT FROM OPERATING ACTIVITIES	**19,268**	**22,816**
Finance cost - net	(7,592)	(2,180)
Share in result of companies accounted for using the equity method	6,862	9,809
PROFIT (LOSS) BEFORE INCOME TAX	**18,538**	**30,446**
Income taxes	3,780	(5,124)
PROFIT (LOSS) AFTER TAX	**22,318**	**25,322**
Minority interests		(20)
GROUP PROFIT (LOSS) OF THE PERIOD	**22,318**	**25,302**
Demerger costs incurred by Umicore	(990)	(4,526)
Result from discontinued operations as in Umicore statements	21,328	20,776
		(€)
Basic earnings per share from discontinued operations	0.87	0.83
Diluted earnings per share from discontinued operations	0.85	0.81

Balance Sheet

	31/12/2004	**31/12/2005**
NON-CURRENT ASSETS	**272,474**	-
CURRENT ASSETS	**427,293**	-
TOTAL ASSETS	**699,767**	-
		-
GROUP SHAREHOLDERS' EQUITY	**293,947**	-
Minority interests	231	-
EQUITY OF THE GROUP	**294,178**	-
NON-CURRENT LIABILITIES	**18,070**	-
CURRENT LIABILITIES	**365,325**	-
TOTAL EQUITY & LIABILITIES	**677,573**	-

Cash Flow Statement

	31/12/2004	**4 months in 2005**
Net cash flow generated by (used in) operating activities	**38,408**	**(34,455)**
Net cash flow used in investing activities	**(19,070)**	**(1,855)**
Net cash flow generated by financing activities	**37,812**	**24,959**
Increase (decrease) in cash and cash equivalents	**54,794**	**(9,886)**
Net cash & cash equivalents at the beginning of the period	43,151	97,945
Net cash & cash equivalents at the end of the period	**97,945**	**88,059**

39 IFRS developments

Following new standards, amendments and interpretations to existing standards published that are mandatory for the accounting periods beginning on or after 1 January 2006 have not been early adopted by the Group:

- IAS 39 (Amendment), cash flow hedge accounting of forecast intragroup transactions (effective from 1 January 2006).
- IAS 39 (Amendment), the fair value option (effective from 1 January 2006).
- IAS 39 and IFRS 4 (Amendment), financial guarantee contracts (effective from 1 January 2006).
- IFRS 1 (Amendment), First-time adoption of International Financial Reporting Standards and IFRS 6 (Amendment), exploration for and evaluation of mineral resources (effective from 1 January 2006).
- IFRS 6, exploration for and evaluation of mineral resources (effective from 1 January 2006).
- IFRS 7, financial instruments: disclosures, and a complementary amendment to IAS 1, presentation of financial statements - capital disclosures (effective from 1 January 2007).
- IFRIC 4, determining whether an arrangement contains a lease (effective from 1 January 2006).
- IFRIC 5, rights to interests arising from decommissioning, restoration and environmental rehabilitation funds (effective from 1 January 2006).
- IFRIC 6, liabilities arising from participating in a specific market – waste electrical and electronic equipment (effective from 1 December 2005).

Parent company separate summarized financial statements

The annual accounts of Umicore are given below in summarized form.

In accordance with the Companies Code, the annual accounts of Umicore, together with the management report and the statutory auditor's report will be deposited with the National Bank of Belgium.

These documents may also be obtained on request from:

UMICORE
rue du Marais 31
B-1000 Brussels (Belgium)

The statutory auditor did not express any reservations in respect of the annual accounts of Umicore.

(€ thousand)

SUMMARIZED BALANCE SHEET AT 31 DECEMBER	2003	2004	2005
ASSETS			
FIXED ASSETS	**3,230,622**	**3,369,211**	**3,033,931**
I. Formation expenses	4,704	3,748	2,791
II. Intangible assets	17,691	17,150	16,982
III. Tangible assets	373,405	288,025	278,406
IV. Financial assets	2,834,822	3,060,288	2,735,752
CURRENT ASSETS	**651,940**	**592,037**	**767,006**
V. Amounts receivable after one year	13,561	17,237	17,273
VI. Inventories and contracts in progress	377,598	268,632	312,039
VII. Amounts receivable within one year	187,881	243,719	400,060
VIII. Invested cash	27,705	51,403	27,479
IX. Cash at bank and in hand	12,562	4,016	3,399
X. Deferred charges and accrued income	32,633	7,030	6,756
TOTAL ASSETS	**3,882,562**	**3,961,248**	**3,800,937**
LIABILITIES AND SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY	**988,750**	**1,043,328**	**718,822**
I. Capital	562,393	563,161	459,679
II. Share premiums	96,764	97,212	986
III. Revaluation surplus	98	98	98
IV. Reserves	208,988	213,059	154,738
V. Profit (loss) carried forward	120,180	169,520	103,081
VI. Investment grants	327	278	240
PROVISIONS AND DEFERRED TAXES	**175,562**	**144,067**	**126,019**
VII. A. Provisions for liabilities and charges	175,562	144,067	126,019
CREDITORS	**2,718,250**	**2,773,853**	**2,956,096**
VIII. Amounts payable after one year	1,176,918	1,587,079	1,405,075
IX. Amounts payable within one year	1,499,372	1,114,418	1,500,492
X. Accrued charges and deferred income	41,960	72,356	50,529
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,882,562**	**3,961,248**	**3,800,937**

(€ thousand)

SUMMARIZED INCOME STATEMENT	2003	2004	2005
I. Operating income	2,521,582	2,020,000	1,990,215
II. Operating charges	2,480,840	1,893,613	1,991,727
III. Operating profit (loss)	**40,742**	**126,387**	**(1,512)**
IV. Financial income	171,638	298,783	176,946
V. Financial charges	183,600	324,620	201,104
VI. Current profit (loss)	**28,780**	**100,550**	**(25,670)**
VII. Extraordinary income	16,924	26,287	69,966
VIII. Extraordinary charges	151,166	28,250	6,177
IX. Profit (loss) for the year before taxes	**(105,462)**	**98,587**	**38,119**
X. Income taxes	(54)	(3,627)	(194)
XI. Profit (loss) for the year	**(105,516)**	**94,960**	**37,925**
XII. Transfer from untaxed reserves	-	-	-
XIII. Profit (loss) for the year available for appropriation	**(105,516)**	**94,960**	**37,925**
APPROPRIATION ACCOUNT			
A. Profit (loss) to be appropriated	**112,244**	**215,140**	**152,895**
1. Profit (loss) for the financial year	(105,516)	94,960	37,925
2. Profit (loss) carried forward	217,760	120,180	114,970
C. Appropriation to equity	**47,479**	**(4,071)**	**(2,926)**
2. To the legal reserve	-	(4,748)	(1,897)
3. To the reserve for own shares	47,479	677	(1,029)
D. Profit (loss) to be carried forward (1)	**(120,180)**	**(169,520)**	**(103,081)**
2. Profit (loss) to be carried forward	(120,180)	(169,520)	(103,081)
F. Profit to be distributed (1)	**(39,543)**	**(41,549)**	**(46,888)**
1. Dividends			
- ordinary shares EUR 1.85	(39,543)	(41,549)	(46,888)

(1) The total amount of these two items will be amended to allow for an amount of the company's own shares held by Umicore on the date of the Annual General Meeting of Shareholders on 26 April 2006; the gross dividend of € 1.85 per share will not change.

STATEMENT OF CAPITAL		(€ thousand)	Number of shares
A. Share capital			
1. Issued capital			
At the end of the preceding financial year		563,161	25,454,875
At the end of the financial year		459,679	25,811,050
2. Structure of the capital			
2.1. Categories of shares			
Ordinary shares		459,679	25,811,050
2.2. Registered shares or bearer shares			
Registered			7,599
Bearer			25,803,451
E. Authorized unissued capital (1)		415,228	
G. Shareholder base (2)		**% capital**	**Number of shares**
Schroder Investment Management Ltd, 31 Gresham Street, London, United Kingdom		5.16	1,332,794
Fidelity International Ltd, Pembroke Hall, 42 Crow Lane, Hamilton, Bermuda		4.98	1,285,377
Parfimmo SA, Rue du Bois Sauvage 17, 1000 Brussels		3.12	806,489
Merrill Lynch Investment Ltd, 33 King William Street, London, United Kingdom		3.10	800,970
Others		81.20	20,954,323
Own shares held by Umicore		2.44	631,097
		100.00	25,811,050
	of which free float	100.00	28,811,050

(1) The extraordinary general meeting held on 30 March 2001 authorized the Board of Directors to increase the capital by an amount of up to EUR 500,000,000. The Board of Directors made use of the authorized capital on 25 November and 4 December 2003 for an amount of EUR 61,946,920 in the framework of the capital increases.On 3 March 2004 the Board of Directors made use of the authorized capital for an amount of EUR 4,424,780 for the issue of subscription rights for the 2004 ISOP and on 14 April 2004 for an amount of EUR 18,400,448 for the issue of subscription rights, replacing the acquisition rights of ISOP plans 2001, 2002 and 2003 of the Belgian managers.

(2) Not taking into account the maximum of 987,620 shares attached to the option plans launched by Umicore in 1999, 2000, 2001, 2002, 2003, 2004 and 2005.

STATUS OF RESERVES

The legal reserve of EUR 32,745 thousand which is included in the retained earnings is not available for distribution.

Brussels, 15 February 2006

The Board of Directors

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
Reviseurs d'Entreprises
PricewaterhouseCoopers
Bedrijfsrevisoren
Woluwe Garden
Woluwedal 18
B-1932 Sint-Stevens-Woluwe
Telephone +32 (0)2 710 4211
Facsimile +32 (0)2 710 4299
www.pwc.com

27 March 2006

STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF UMICORE ON THE CONSOLIDATED ACCOUNTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2005

In accordance with legal and regulatory requirements, we report to you on the performance of the audit mandate which you have entrusted to us.

We have audited the consolidated financial statements set forth on pages 69 to 108, which have been prepared in accordance with IFRSs as adopted by the EU. These financial statements comprise the consolidated balance sheet of Umicore and its subsidiaries (the Group) as of 31 December 2005 and the related consolidated statements of income, cash flows and income and expense recognised in equity for the year then ended. We have also examined the management report on the consolidated financial statements.

It is the responsibility of the company's Board of Directors to prepare the consolidated financial statements and to determine what information is to be included in their management report on the consolidated financial statements.

Unqualified audit opinion on the consolidated financial statements

We conducted our audit in accordance with the legal requirements applicable in Belgium and Belgian auditing standards, as issued by the "Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren". Those professional standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated accounts are free of material misstatement. In accordance with those standards, we considered the group's administrative and accounting organisation, as well as its internal control procedures. We have obtained all explanations and information required for our audit. We examined, on a test basis, evidence supporting the amounts in the consolidated financial statements. We assessed the accounting principles used, the basis of consolidation and significant estimates made by the enterprise, as well as the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements set forth on pages 69 to 108 give a true and fair view of the net worth and financial position of the Group as of 31 December 2005 and of its results of operations and cash flows for the year then ended, in accordance with IFRSs as adopted by the EU and with the legal and regulatory requirements applicable to quoted companies in Belgium.

Other certification and information

We supplement our report with the following certification and information which do not modify our audit opinion on the consolidated accounts:

- The management report on the consolidated financial statements set forth on pages 1 to 67 and 110 to 127 deals with the information required by the law and is consistent with the consolidated financial statements. However, we are not in a position to express an opinion on the description of the principal risks and uncertainties facing the Group, its state of affairs, its forecast development or the significant influence of certain events on its future development. Nevertheless, we can confirm that the information provided is not in contradiction with the information we have acquired in our role as statutory auditors.

- In the context of our audit of the statutory financial statements of Umicore, we ascertained that the board of directors of the company had complied with the legal provisions applicable to cases of conflicting interest of a financial nature. In conformity with the Companies' Code, these transactions have been covered explicitly in our report on the statutory financial statements of Umicore.

The statutory auditor
PricewaterhouseCoopers Reviseurs d'Entreprises / Bedrijfsrevisoren
Represented by

Raf Vander Stichele
Bedrijfsrevisor

Governance Report

Introduction

In December 2005 Umicore published a Corporate Governance Charter in line with the Belgian Code on Corporate Governance. The Corporate Governance Charter describes in detail the governance bodies, policies and procedures of the Umicore Group. The Charter is available on request from Umicore's head office or can be consulted at www.governance.umicore.com.

Umicore has articulated its mission, values and basic organizational philosophy in a document called "The Umicore Way". This document spells out how Umicore views its relationship with its customers, shareholders, employees and society.

In terms of organizational philosophy, Umicore believes in decentralization and in entrusting a large degree of autonomy to each of its business units. The business units in turn are accountable for their contribution to the Umicore Group's value creation and for their adherence to group strategies, policies and standards.

In this context, Umicore believes that a good corporate governance system is a necessary condition to ensure its long term success. This implies an effective decision-making process based on a clear allocation of responsibilities. It has to allow for an optimal balance between a culture of entrepreneurship at the level of its business units and highly effective steering and oversight processes.

The Corporate Governance Charter deals in more detail with the responsibilities of the Shareholders, the Board of Directors, the CEO and the Executive Committee. This report provides information on governance issues which relate primarily to 2005.

Corporate structure

The Umicore Board of Directors ("the Board") is the ultimate decision-making body of Umicore with the exception of matters reserved to the shareholders by the Companies Code or by the Articles of Association. The Board of Directors 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.

Umicore is organized in business groups which in turn comprise business units that share common characteristics in terms of products, technologies and end-user markets. Some business units are further subdivided into market-focused business lines. Each business group is represented on the Executive Committee.

In order to provide a Group-wide support structure based along geographical lines, Umicore has introduced complementary regional management platforms in certain areas. Umicore's corporate centre is based in Brussels, Belgium. This centre provides a number of corporate and support functions in the areas of finance, human resource co-ordination, internal audit, legal and tax, information technology and public and investor relations.

Shareholders

Issued shares

At 31 December 2005 there were 25,811,050 Umicore shares in issue. A history and update of the number of shares in issue can be found at www.investorrelations.umicore.com along with a list of significant shareholders.

During 2005 356,175 new shares were created and delivered to Belgian-based managers following their exercise of stock options with linked subscription rights.

During 2005 Umicore bought back 186,500 of its own shares and delivered 287,090 of its treasury shares in the framework of the stock option plans. On 31 December 2005 Umicore owned 631,097 of its own shares.

On 29 April 2005, Umicore received 548,572 Cumerio shares corresponding to the number of Umicore shares held at this date.

Information concerning the shareholders' authorization for Umicore to buy back its own shares can be consulted in the Corporate Governance Charter.

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 of Directors at the Ordinary General Meeting of shareholders. No dividend will be paid which would endanger the financial stability of the company.

In 2005 Umicore paid a gross dividend of €1.65 per share relating to the financial year 2004. This compared with €1.60 in 2004 relating to the financial year 2003.

Shareholders' meetings 2005

The Ordinary General Meeting (OGM) of shareholders takes place on the last Wednesday of April at 5 p.m. The place of the meeting is communicated at least 24 days prior to the meeting (the meeting normally takes place in Brussels, Belgium).

The 2005 OGM took place on 13 April. At this meeting shareholders approved the following resolutions:

- approval of the 2004 accounts and appropriation of the result
- discharge to the Board of Directors and the statutory auditors in relation to their 2004 mandates
- approval of the re-appointment of the following members of the Board of Directors until the 2008 OGM: Messrs U-E. Bufe, A. de Pret, J. Oppenheimer
- approval of the appointment of Mr G. Paquot as a member of the Board of Directors until the 2008 OGM
- decision not to renew mandates of the following members of the Board of Directors: Messrs E. Davignon, P. Delaunois, E. Denis, R. van Oordt
- setting of remuneration of Board of Directors at €300,000 for 2005
- reappointment of PricewaterhouseCoopers as the statutory auditor for a further three year period and setting of its annual remuneration at €345,000. PricewaterhouseCoopers designated Mr Raf Vander Stichele as its representative.

An Extraordinary General Meeting (EGM) took place on 28 April. At this EGM, shareholders approved the following resolutions:

- the demerger of Cumerio – and consequent capital decrease
- capital increase resulting by incorporation of the total issue premium remaining after the Cumerio demerger
- reduction of the maximum term of membership of Board of Directors before re-election from six to four years

- possibility for directors to participate in Board of Directors meetings by conference call or video conference
- moving the OGM date from the second to the last Wednesday in April
- authorization given to the Board to decide, when convening a Shareholders' meeting, to apply one of two procedures: the legal blocking of shares or the registration date.

In derogation of the conditions set forth in a) and b) of Article 17 of Umicore's articles of association and in accordance with c) of the same Article 17, the Board of Directors decided during its meeting held on 15 February 2006 that shareholders will be admitted to the general meetings of March 23, 2006 and April 26, 2006 and can exercise their voting rights if they can prove that they were shareholders at midnight on the fifth business day before the date of these general meetings ("the registration date"). This procedure removes the need for shareholders to "block" their shares for a period of five days prior to the meeting; it is hoped that the introduction of this measure will facilitate increased shareholder participation in shareholder meetings. The Board of Directors must approve the use of the registration date prior to the convening of future shareholder meetings.

The Board of Directors

Composition

The Board of Directors, whose members are appointed by the Shareholders' Meeting, must consist of at least six members. Their term of office may normally not exceed four years, but they may be re-elected.

On 31 December 2005, the Board of Directors consisted of nine members: eight non-executive directors and one executive director.

Seven of the nine directors are independent within the definition of independence set out in Annex 2 of Umicore's Corporate Governance Charter.

Compensation

- Chairman's annual retainer:
  fixed portion: €36,000
  variable portion (based on attended meetings): €24,000.
- Director's annual retainer:
  fixed portion: €18,000
  variable portion (based on attended meetings): €12,000.

The total amount of remuneration granted to Directors in 2005 in respect of their activities in the company amounted to €369,495.

No variable or other compensation element (apart from attendance-related fees) is associated with directorship. No loan or guarantees have been granted by the company to members of the Board.

As of 31 December 2005, the members of the Board of Directors held a total of 218,458 shares. As of the same date they also held 86,000 stock options. These options are held by directors who are currently, or were previously, members of the executive management.

Number of Board meetings in 2005: 7.

During 2005, the Board of Directors reviewed and approved the accounts and reviewed the strategic and operational plans and budgets. The Board also reviewed and approved several M&A transactions, in particular, the de-merger of the copper activities and the sale of Umicore's participation in Traxys. In the framework of the elaboration of the Corporate Governance Charter, the Directors carried out an in-depth review of the Board and its Committees as well as a review of the Board's relationship with the Executive Committee.

Name	Board meetings attended	Committee meetings attended	Total remuneration (in €)	Shares held at 31/12/2005
Karel Vinck	7 of 7	2 of 2	68,000	36,000
Thomas Leysen	7 of 7		see Executive Committee	180,000
Isabelle Bouillot	6 of 7	5 of 6	47,286	
Uwe-Ernst Bufe	7 of 7		30,000	
Etienne Davignon (1)	1 of 3	1 of 1	9,579	
Jean-Luc Dehaene	6 of 7		28,286	33
Philippe Delaunois (1)	3 of 3	1 of 1	12,579	
Etienne Denis (1)	2 of 3			
Arnoud de Pret	6 of 7	6 of 6	52,286	1,000
Jonathan Oppenheimer	5 of 7		26,572	
Guy Paquot (2)	4 of 4	1 of 1	22,828	
Robert F.W. van Oordt (1)	2 of 3	0 of 1	8,079	
Klaus Wendel	7 of 7	6 of 6	64,000	1,425

(1) Mandate not renewed at Ordinary General Meeting of 2005.
(2) Appointed in April 2005.

Committees

Audit Committee

The Audit Committee consists of three members who are all independent non-executive directors.

Number of meetings in 2005: 6.

During 2005 key items discussed and decided on by the Audit Committee included the mandatory reviews of financial statements, internal audit department review and planning, a review of the independence of the external auditor and review of fees paid, the implementation of IFRS and a review of Umicore's risk assessment policy.

Compensation:

- chairman: €6,000 per attended meeting
- member: €4,000 per attended meeting.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of three members who are all non-executive directors. It is chaired by the Chairman of the Board.

Number of meetings in 2005: 2.

During 2005 the Nomination and Remuneration Committee discussed and decided on the level of remuneration for the Executive Committee and carried out a full review of the succession planning for Umicore's senior management.

Compensation:

- chairman: €4,000 per attended meeting
- member: €3,000 per attended meeting.

Executive Committee

Composition

The Executive Committee has the form of a "Comité de Direction/Directiecomité" within the meaning of Article 524bis of the Belgian Companies Code. Hereunder "Executive Committee" is used within this definition.

The Executive Committee is composed of at least four members. It is presided over by a chairman, appointed by the Board of Directors. The members of the Executive Committee are appointed upon recommendation of the Nomination and Remuneration Committee. The Executive Committee as a whole or any individual member can be dismissed at any time by the Board of Directors.

Compensation

For the year 2005, an aggregate gross amount of €3,988,151 (2004: €4,214,526) was attributed to the members of the Executive Committee including the Chief Executive Officer (CEO). Of this amount, €1,413,900 (€1,484,086) was variable pay relating to 2005 performance. A portion of this variable pay, €592,295, will be paid out in Umicore shares, which the Executive Committee members have committed to retain for a period of at least two years. For the members of the Executive Committee, benefits include an extra-legal pension scheme, the cost of which amounted to €949,847 (€677,552). The remuneration data for the Executive Committee includes an amount attributed to one member who left the company at the end of April 2005 to join Cumerio.

Of the above amount, the remuneration of the CEO consisted of a fixed portion of €500,000 (2004: €500,000), a variable portion of €225,000 (€275,000) and €122,748 (€119,932) in other benefits. The majority of the variable pay, €215,420, will be paid out in Umicore shares, which the CEO has committed to retain for a period of at least two years.

For the Executive Committee members variable remuneration can range from 0 to 60% of the fixed compensation. It contains a component related to individual performance (including adherence to Group values), a component related to the EBIT target (over and above the cost of capital) of the units which the Executive Committee members have direct influence and a component related to the overall Group return on capital employed.

During 2005, 60,000 stock options were granted to the Executive Committee members as part of the variable compensation package, at an exercise price of €64.60. The Chief Executive Officer received 25,000 options and other members of the Executive Committee received 5,000 options each.

In total, at the end of 2005, 199,500 stock options granted by the company were outstanding in the name of the Executive Committee members, with exercise prices between €20.00 and €64.60. As a consequence of the demerger of Cumerio the strike price of all options issued prior to 2005 was reduced by the same amount as Cumerio's opening reference price of €10.50. This was because these options do not carry subscription rights for Cumerio shares. During 2005, the Executive Committee members exercised 42,000 options granted by the company. As of 31 December 2005, the members of the Executive Committee together owned a total of 199,350 shares.

Companies Code – Article 523

Prior to the Board discussing the implementation of incentive stock option plans (ISOP 2005 and ISOP 2006) Thomas Leysen declared that he had a direct material interest in these matters insofar as he would be a beneficiary of both plans. In accordance with Article 523 of the Companies Code, Thomas Leysen was not present during the Board's two discussions (in June 2005 and February 2006) concerning these decisions and did not take part in the voting.

Changes to the company's net worth as a result of these decisions have been disclosed in accordance with the Belgian Companies Code in the statutory annual Board report.

Remuneration of the statutory auditor

The world-wide audit remuneration for the statutory auditor totalled €1,672,000 including €345,000 for the statutory audit of the parent company.

During 2005 the company also requested the Group auditor to provide assistance and advice on various matters in addition to the statutory audit mission. The fees paid to the statutory auditor for this work amounted to €183,000 for audit-related services (including services related to the demerger of Cumerio) and €386,000 for non-audit related services (including tax advice and assistance for the transition to IFRS).

The statutory auditor's mandate expires at the 2008 Ordinary General Meeting.

A policy detailing the independence criteria for the statutory auditor may be requested from the company or accessed via www.governance.umicore.com.

Code of Conduct

Umicore operates a Code of Conduct for all employees, representatives and Board members. This Code is fundamental to the task of creating and maintaining a relation of trust and professionalism with its main stakeholders namely its employees, commercial partners, shareholders, government authorities and the public.

The main purpose of Umicore's Code of Conduct is to ensure that all persons acting on behalf of Umicore perform their activities in an ethical way and in accordance with the laws and regulations and with the standards Umicore sets through its present and future policies, guidelines and rules.

Annex 5 of Umicore's Corporate Governance Charter contains a specific policy related to the application of Belgian legislation regarding market manipulation and insider trading. Umicore's Code of Conduct, Corporate Governance Charter and policy regarding Insider Trading and Market Manipulation are available on request from the company or can be accessed via www.governance.umicore.com.

Compliance with the Belgian Code on Corporate Governance

Umicore's corporate governance systems and procedures are fully in line with the Belgian Code of Corporate Governance with the exception of article 8.9 regarding shareholder meetings. For reasons of efficiency, Umicore decided not to endorse the principle providing for the lowering of the ownership threshold required to allow a shareholder to include items on the agenda of the general shareholders meeting from 20% to 5% of the share capital. However, without prejudice to its right of rejection, the Board of Directors will naturally consider any timely proposal submitted by a shareholder.

Risk Management

Umicore's management takes an entrepreneurial approach to developing the company's business. This approach means that taking calculated risks is an integral part of the development of the company. In order to successfully exploit business opportunities and at the same time limit possible business losses Umicore operates a comprehensive risk management system. The aim of this system is to enable the company to identify risks and to mitigate these identified risks to an acceptable level wherever this is possible.

Risk Assessment

The first step in the risk management system is to enable and channel the identification of various risks. Umicore has a decentralized business structure and therefore the primary source of risk identification lies with the business units themselves.

Umicore has established a Business Risk Assessment (BRA) procedure that each business unit and corporate department will undertake each year. The BRA 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 business's ability to meet its objectives. The process then requires that these risks be described in detail, and an impact and likelihood assessment be carried out. Finally the businesses are expected to outline the short, medium and long-term controls in place to mitigate or offset these risks. These BRAs are then fed back to the member of the Executive Committee responsible for that particular business area. A consolidated review takes place at the level of the Executive Committee, the outcome of which is presented to the Board of Directors.

In line with The Umicore Way, the responsibility for identifying and managing risks goes all the way to the level of individual employees. A structure exists within the organization to funnel the management of risks identified at the different levels of the organization.

Wherever possible each business unit and corporate department is responsible for managing its own identified risks. The Executive Committee has the responsibility to intervene 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 macro-economic risks.

A specific monitoring role is given to Umicore's Internal Audit department in order to provide assurances that the risk management process is respected and that the unit and departmental risk identification and management is carried out effectively.

The Executive Committee has the responsibility to inform the Board of Directors of the most significant risk exposures and the related risk management plans in place. The Audit Committee of the Board of Directors will carry out an annual review of the company's internal control and risk management systems.

Risks

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

Strategic: including risks related to macro-economic conditions, financial environment, corporate reputation, political environment, legislative environment and business structure.

Operational: including risks related to competition, innovation, changing customer demand and customer satisfaction, supply of raw materials, distribution of products, credit, production, labour relations, human resources, IT infrastructure, occupational health and safety, emission control, impact of current / 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, we have highlighted those risks that we believe are noteworthy either in their relevance to Umicore or in the company's way of dealing with them.

Supply risk

Umicore is reliant on supplies of metals-containing raw materials in order to produce its products. Some of these raw materials are comparatively rare. In order to mitigate the risk of supplies becoming difficult to source Umicore adopts a policy of attempting where possible to enter into longer-term contracts with its suppliers. 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.

Credit 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 where the costs of insurance are justifiable in proportion to the risks involved, and where customer concentration levels permit. Umicore also has a programme whereby it is able to securitize a portion of its receivables with no recourse.

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. It is Umicore policy to mitigate this risk and protect future cash flows and margins by using derivative instruments such as forward sales (otherwise known as hedging) when conditions permit. These conditions include the value of the currency to be hedged relative to its historical average and forward market liquidity. Umicore discloses details of significant structural hedging operations. At the end of 2005 Umicore's sensitivity to movements in the EUR-USD exchange rate (in the absence of any hedging arrangements) was approximately €1 million for every US cent change in the exchange rate. This sensitivity is based on the exchange rate prevailing at the end of 2005.

Transactional currency risk - that the value of a currency might move between the time when a price is fixed with a customer or supplier and when that transaction is settled - is systematically hedged at Umicore.

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

For more details on currency risks, current sensitivities and hedging instruments in place please see the Financial Statements note 4.

Metal price risk

Umicore is also exposed to structural and transactional risks relating to the prices of certain metals. Structural metal price risk is primarily the result of the effect that metal price fluctuations have on treatment terms and the value of surplus metal recovery. The most significant risk is present for zinc, while there is a smaller (and fluctuating) sensitivity to precious metals prices. In the absence of any hedging arrangements, Umicore's sensitivity to the zinc price at the end of 2005 (which also includes a currency-related element as the zinc price is denominated in US dollars) stood at approximately €15 million for every €100 per tonne move in the zinc price.
It is Umicore's policy to mitigate structural metal price risks through hedging (where possible through a combination of currency and metal price hedging) whenever market conditions permit. These conditions include the price of the metal to be hedged relative to its historical average and forward market liquidity. Umicore discloses details of such structural hedging operations.

Transactional metals price risk - that the price of a metal might move between the time when a price is fixed with a customer or supplier and when that transaction is settled - is hedged to the maximum extent possible by the company primarily through forward contracts.

For more details on metal price risk, current metal price sensitivities and hedging instruments in place please see the Financial Statements note 4.

Technology risk

Many of Umicore's operations develop products that are technologically innovative and are present in markets characterized by rapid and significant developments in technology that can render existing products and technologies non-competitive or obsolete. Both Umicore's current products and those under development face such risks. In order to mitigate this risk Umicore channels significant investments into its research and development efforts for both product and process technologies. In 2005 this investment amounted to some 6% of Group revenues (excluding metal content).

Substitution risk

Achieving the best cost-performance balance for their products is normally a priority for Umicore's 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.

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. During 2005 Umicore has been active through the non-ferrous metals industry group Eurometaux in suggesting modifications on the draft of the EU's REACH Directive (Registration, Evaluation and Authorization of Chemicals).
At the end of 2005 several of Eurometaux's suggestions had been accepted in the draft text: waste materials had been excluded from the scope of the legislation and the directive included a definition of alloys. Concentrates were also excluded from the registration process but their use will have to be recorded by companies with a view to an authorization process at a later date. It is likely that the directive will enter into force in 2007. Umicore has been examining the potential impact of the legislation since 2004 and preparing for any changes that might be necessary in terms of operations or product stewardship. This process will continue in the light of recent revisions.

Stakeholder relations

Umicore is a publicly traded, international industrial company. As such it interacts with a number of parties who have an interest in the way in which the company does its business. The relationship that the company is able to foster with these parties – or stakeholders – has a direct impact on the company's success.

Highlighted below are Umicore's main stakeholder groups. Also shown are the nature of the transactions that occur and a brief description of how the dialogue between Umicore and the stakeholders operates.

Suppliers

Umicore provides: **profits**
Suppliers provide: **goods and services**

Umicore operates four business groups on five continents. These business groups not only require materials to make their products but also energy, transportation and a range of other services. Overall Umicore has more than 10,000 suppliers world-wide. These suppliers benefit from Umicore's presence as a customer; during 2005 Umicore paid these suppliers some €5 billion (including the metal content of raw materials).

Umicore is engaged in constant dialogue with its suppliers, primarily to ensure mutually acceptable terms and conditions for continued partnership such as prompt and uninterrupted delivery of materials / services and timely payment. The business units are primarily responsible for the purchases of raw materials while the corporate Purchasing and Transportation department is involved in ensuring the Group's transportation, energy and other provisioning needs are met.

Umicore takes care to source its materials and services from suppliers of good standing and reputation. Where Umicore believes that sourcing from a particular supplier would involve a breach of our own standards or Code of Conduct a mechanism exists to review the status of that supplier. In 2005, specific audits were carried out regarding the supplies of cobalt in the Democratic Republic of Congo the details of which can be found on p. 57 of this report.

Customers

Umicore provides: **materials**
Customers provide: **profits**

Umicore's business is based on the desire to produce "materials for a better life". The company's materials can be found in a wide variety of applications that make day-to-day life more comfortable; from the materials in rechargeable batteries to the pollution reducing catalysts in automobiles.

Umicore has a truly international customer base with 37% of 2005 turnover being generated outside Europe.

Umicore's customer base tends to be other industrial companies who use Umicore's materials to make products. Only in a very few instances does the company make products that are sold directly to the public.

Interaction with customers is an on-going process and is managed by the business units. All business units have a customer feedback process where they are able to gauge periodically the level of customer satisfaction with their products and services.

In the more technologically advanced businesses the relationship with the customer is often more integrated. Developing advanced products often involves years of research and development work in direct collaboration with such customers.

Employees

Umicore provides: remuneration & training
Employees provide: skills & productivity

Umicore employs over 14,000 people around the world. The company invests significant resources in ensuring its status as an employer of choice in all the regions in which it operates. During 2005 Umicore paid a total of €477 million in the form of salaries and other benefits for its employees. Social security payments totalled €116 million.

Umicore is committed not only to providing good salaries and working conditions to its employees but also to providing the necessary occupational and professional training opportunities. Employees are expected to adhere to the principles and policies outlined in The Umicore Way and Umicore's Code of Conduct.

Open dialogue is promoted between the company and its employees. This dialogue includes a biennial employee satisfaction survey (see also p. 58-59). Umicore respects the principle of collective bargaining. While such practice is commonplace in Europe, in some other locations collective bargaining mechanisms and trade unions are not so common or face local legal restrictions.

Supplementary channels of company-wide communication include the Group intranet and a world-wide in-house magazine "Umicore Link".

Investors and funders

Umicore provides: return on investment
Investors provide: capital and funds

Umicore's investor base has diversified significantly in recent years. At the end of 2005 the company's shareholders were primarily situated in Europe and North America.

Umicore strives to provide timely and accurate company information to the investment community. In 2005 these communication efforts included 31 days of roadshows to visit investors, 7 site visits, 2 webcasts and 34 conference calls. Overall over 150 institutional investors were seen by the company during the year. Umicore also participated in two large investor fairs in Belgium for retail investors. During 2005 10 brokers published equity research notes on Umicore. Special efforts were also made during 2005 to explain the demerger of the company's copper activities and the company's move to the specialty chemicals sector. During 2005 Umicore's share price appreciated by 66% and a dividend of €1.85 per share (relating to 2005) was proposed to shareholders.

Banks make up the vast majority of the company's creditors and debt investors. Umicore has credit lines with numerous banks both in Belgium and elsewhere. Dialogue with the banks is primarily the responsibility of the corporate Finance Department in Brussels although each legal entity within Umicore maintains business relationships with the banking community. Umicore also has in issue a €150 million bond with a maturity date of 18 February 2012. The bond is listed on the Brussels stock exchange.

Society

Umicore provides: wealth
Society provides: licence to operate

Through employment Umicore participates in the generation of wealth in the areas in which it operates. Although wealth generation is an obvious benefit, the manner in which this wealth is generated is also of great importance. Ultimately Umicore can only continue operating if it has the licence to do so from society. In order to maintain this licence, Umicore tries its utmost to operate in a way which promotes sustainable development. This goes beyond operating within the legally defined boundaries set for all companies. Umicore sets its own standards which are applicable across the Group and which frequently surpass the demands of legislation in many areas where the company operates.

In addition to this commitment to sound operating practices, Umicore also strives to develop materials which will enhance peoples' quality of life.

Contact with the communities in which Umicore operates is the most direct way in which the company can interact with society. Open and transparent dialogue with such communities is an integral part of Umicore's stakeholder engagement and makes up one of the company's social objectives for 2010 (see page 52-53).

Certain civil society groups (known as non-governmental organizations) also periodically declare a stake in Umicore's operations and the way the company does its business. Umicore welcomes such interest and attempts to engage with such groups in an open and constructive manner. The company is a member of Business and Society – a Belgian alliance of companies and civil society groups, and the World Business Council for Sustainable Development.

Public sector and authorities

Umicore provides: taxes
Public sector and authorities provide: services

Umicore paid a total of €62 million in taxes as a result of its operations in 2005. Umicore's employees also contributed a total of some €116 million in social security payments.

Umicore periodically enters into partnerships with public institutions such as universities with the primary aim of furthering certain research projects. Similarly, partnerships and research grants are occasionally contracted with public organizations such as the European Space Agency (a partnership between European governments).

The company has a policy of making absolutely no donation to any political party or organization. When specific issues arise which are of interest to Umicore the company usually communicates its position through the industry groups to which it is affiliated. The main organizational memberships (both at corporate and business unit level) in 2005 are listed below:

Corporate:
- World Business Council for Sustainable Development (WBCSD) (from November 2005)
- Agoria (Belgian multi-sector federation for the technology industry)
- Eurometaux
- World Fuel Cell Council

Advanced Materials:
- Cobalt Development Institute

Precious Metals Products and Catalysts:
- Association for Emissions Control by Catalyst
- German Chemical Federation (VCI)
- Manufacturers of Emission Controls Association (US)

Precious Metals Services:
- European Electronics Recyclers Association
- International Association of Electronics Recyclers
- International Platinum Association
- International Precious Metals Institute

Zinc Specialties:
- International Zinc Association

Several of Umicore's business units are signatories of the "Responsible Care" programme for the chemicals industry and some are also members of the European Chemical Industry Council (CEFIC).

Board of Directors

Karel Vinck, 67, Chairman
Independent, Non-Executive Director

Before joining Umicore, Karel Vinck was Chief Executive Officer of Eternit and Bekaert. He is also a member of the Board of Suez-Tractebel, Tessenderlo Group, of the Catholic University of Leuven and of Théâtre Royal de la Monnaie. He is co-ordinator of the European Rail Traffic Management System with the European Commission. He is chairman of Cumerio, honorary chairman of VEV, the Flemish employers association and Chairman of the Flemish Science Policy Council.

Director since: 17 October 1994
Expiry of mandate: Ordinary General Meeting of 2006
Chairman since: 1 October 2002
Chairman of the Nomination & Remuneration Committee since: 1 January 2003

Thomas Leysen, 45,
Chief Executive Officer, Executive Director

Thomas Leysen became Chief Executive Officer of Umicore in 2000, after having held various positions within Umicore and its affiliates. He is also Chairman of VUM Media, a newspaper publishing company, Chairman of Agoria and of Eurometaux. He is a member of the Board of Atlas Copco, of micro-electronics research group IMEC and a member of the supervisory Board of Bank Metzler, Germany. He is a member of the Executive Committee of the Belgian Employers Federation (FEB/VBO).

Director since: 10 May 2000
Expiry of mandate: Ordinary General Meeting of 2006
Chief Executive Officer since: 10 May 2000

Isabelle Bouillot, 56
Independent, Non-Executive Director

Isabelle Bouillot holds a diploma of the French "National School of Administration". She has occupied different positions in French public administrations, among them economic advisor for the President of the Republic between 1989 and 1991 and Budget Director at the Ministry of Economy and Finance between 1991 and 1995. She joined the Caisse des Dépôts et Consignations as Deputy Chief Executive Officer in 1995 and was in charge of financial and banking activities. Between 2000 and 2003, she was Chief Executive Officer of the Investment Bank of the Group CDC IXIS. She is presently a consultant and is a member of the board of Accor and Saint-Gobain.

Director since: 14 April 2004
Expiry of mandate: Ordinary General Meeting of 2007
Member of the Audit Committee since: 13 April 2005
Member of the Nomination & Remuneration Committee since: 13 April 2005

Uwe-Ernst Bufe, 61
Independent, Non-Executive Director

Uwe-Ernst Bufe was CEO of Degussa until May 2000. He is now Vice Chairman of the UBS Investment Banking and Deputy Chairman of UBS Deutschland. He is also a member of the Board of Akzo Nobel N.V., Solvay S.A. and Altana AG.

Director since: 26 May 2004
Expiry of mandate: Ordinary General Meeting of 2008

Jean-Luc Dehaene, 65

Independent, Non-Executive Director

Jean-Luc Dehaene has occupied several ministerial posts and was Prime Minister of Belgium from 1992 to 1999. He is a member of the Board of InBev, Telindus, Domo and Corona-Lotus. He is Chairman of the Board of the College of Europe (Bruges), member of the European Parliament and mayor of Vilvoorde.

Director since: 1 October 1999
Expiry of mandate: Ordinary General Meeting of 2006

Arnoud de Pret, 61

Independent, Non-Executive Director

Arnoud de Pret was with Morgan Guaranty Trust Company in New York from 1972 until 1978. From 1978 until 1981 he was group treasurer of Cockerill-Sambre, and until 1990 he was group finance manager and member of the Executive Committee of UCB. He was Chief Financial Officer and member of the Executive Committee of Umicore from 1991 until May 2000. He is a member of the Board of InBev, Delhaize Group, Sibelco and UCB.

Director since: 10 May 2000
Expiry of mandate: Ordinary General Meeting of 2008
Member of the Audit Committee since: 1 January 2001

Jonathan Oppenheimer, 36

Non-Executive Director

Jonathan Oppenheimer is the Managing Director of De Beers Consolidated Mines Limited. He is also the chairman of the Element Six group of companies. In view of his chairmanship of Element Six (in which Umicore has a stake), he is considered to be a non-independent Director.

Director since: 5 September 2001
Expiry of mandate: Ordinary General Meeting of 2008

Guy Paquot, 64

Independent, Non-Executive Director

Guy Paquot joined the Bank Nagelmackers group in 1969 and became Chairman and managing director of Financière Lecocq (a Nagelmackers subsidiary) in 1986. In 1994 Financière Lecocq became known as Compagnie Mobilière et Foncière du Bois Sauvage. In 2003 he left his position as managing director but remains Chairman of Compagnie du Bois Sauvage. He is Chairman of Neuhaus and a member of the Boards of Recticel, Floridienne, Noel Group, Nomacorc, Serendip and Fauchon as well as the Quartier des Arts foundation.

Director since: 13 April 2005
Expiry of mandate: Ordinary General Meeting of 2008
Member of the Nomination and Remuneration Committee since: 13 April 2005

Klaus Wendel, 62

Independent Non-Executive Director

Klaus Wendel was until 2000 a member of the Executive Committee of Société Générale de Belgique responsible for group control.
He is now an independent consultant in finance and controlling. After a career in financial management with General Electric (USA), Siemens, Cockerill-Sambre and CBR, he joined Société Générale de Belgique in 1988. He is a member of the Board of Recticel.

Director since: 26 July 1989
Expiry of mandate: Ordinary General Meeting of 2006
Chairman of the Audit Committee since: 13 April 2005

The mandates of Etienne Davignon, Philippe Delaunois and Etienne Denis were not renewed at the Ordinary General Meeting of 13 April 2005, while Robert van Oordt retired.

Executive Committee

Thomas Leysen, 45
Chief Executive Officer

Thomas Leysen became Chief Executive Officer of Umicore in 2000, after having held various positions within Umicore and its affiliates. He is also Chairman of VUM Media, a newspaper publishing company, Chairman of Agoria and of Eurometaux. He is a member of the Board of Atlas Copco, of micro-electronics research group IMEC and a member of the supervisory Board of Bank Metzler, Germany. He is a member of the Executive Committee of the Belgian Employers Federation (FEB/VBO).

Jean-Luc Deleersnyder, 44
Executive Vice-President: Business Group Zinc; Purchasing & Transportation

Jean-Luc Deleersnyder holds a Masters degree in Electromechanical Engineering and a PhD in Operations Management from the University in Ghent. He was also a CIM Fellow at North Carolina State University. He joined McKinsey & Co in 1988 as a management consultant. He joined Umicore in 1995 where he successively occupied the position of head of the Strategy Department and Corporate Vice-President Human Resources. He was appointed to his present position in 1999.

Alain Godefroid, 57
Corporate Vice-President: Legal Affairs; Environment, Health & Safety

Alain Godefroid holds a Law doctorate from the University of Brussels (ULB) and a MCJ from the University of Texas at Austin. After working as a lawyer in the United States and in Europe, he joined Umicore in 1978 as Legal Counsel. He was appointed to his present function in 1992. He also fulfills the role of Compliance Officer at Umicore.

Marc Grynberg, 40
Chief Financial Officer: Finance; Information Systems

Marc Grynberg holds a Commercial Engineering degree from the University of Brussels (Ecole de Commerce Solvay). After several management positions in the finance function at DuPont de Nemours in Brussels and Geneva, he joined Umicore in 1996 as Group Controller. He was appointed CFO in 2000.

Martin Hess, 53

Executive Vice-President: Automotive Catalysts; Corporate Development

Martin Hess joined Degussa in 1972 as a commercial trainee. He served in a variety of functions and business units, gathering also extensive international experience in Africa and Asia in the course of totally 18 years living abroad. Since the end of 1999, he has headed the business unit Automotive Catalysts. He joined the Umicore Executive Committee in 2003.

Hugo Morel, 55

Executive Vice-President: Business Group Precious Metals Services

Hugo Morel holds a Masters degree in Metallurgical Engineering from the University of Leuven. He joined Umicore in 1974 and held several jobs in production, commercial departments, strategy and general management of different units. He was appointed to his present position in 2002.

Pascal Reymondet, 46

Executive Vice-President: Precious Metals Products

Pascal Reymondet holds an MSc from Stanford University and an Engineering degree from the Ecole Centrale in Paris. He has occupied different engineering and management positions within the Degussa group including management of the Port Elizabeth and Burlington automotive catalyst plants. He joined the Umicore Executive Committee in 2003.

Marc Van Sande, 53

Executive Vice-President: Business Group Advanced Materials; Chief Technology Officer

Marc Van Sande holds a PhD in Physics from the University of Antwerp as well as an MBA. He joined MHO, a predecessor company of Umicore in 1980, and held several jobs in research, marketing and production. In 1993 he was appointed Vice-President of the Electro-Optic Materials business unit and he was appointed to his present position in 1999.

left to right

Jean-Luc Deleersnyder | Thomas Leysen | Martin Hess | Marc Van Sande | Pascal Reymondet | Marc Grynberg | Hugo Morel | Alain Godefroid

Senior Management

Advanced Materials

left to right

1 Michel Cauwe
Senior Vice-President Electro-Optic Materials

2 Pierre Van de Bruaene
Senior Vice-President Engineered Metal Powders

3 Marc Van Sande
Executive Vice-President Advanced Materials,
Chief Technology Officer

4 Jan Vliegen
Senior Vice-President Fuel Cells

5 Dirk Uytdewilligen
Senior Vice-President Specialty Oxides and Chemicals

Precious Metals Products and Catalysts

left to right

1 Bill Staron
Senior Vice-President Automotive Catalysts North America

2 Joerg Plessow
Senior Vice-President Technical Materials

3 Pascal Reymondet
Executive Vice-President Precious Metals Products

4 Joerg Beuers
Senior Vice-President Jewellery and Electroplating

5 Martin Hess
Executive Vice-President Automotive Catalysts

6 Tom Kreuzer
Senior Vice-President R&D Automotive Catalysts

7 Michael Neisel
Senior Vice-President Automotive Catalysts Europe and Africa

left to right

Precious Metals Services

1 Ralf Drieselmann
Senior Vice-President Precious Metals Management

2 Hugo Morel
Executive Vice-President Precious Metals Services

left to right

Zinc Specialties

1 Guy Beke
Senior Vice-President Zinc Chemicals

2 Jean-Luc Deleersnyder
Executive Vice-President Zinc Specialties

3 Leo Jacobs
Senior Vice-President Zinc Alloys

4 Bernard Tonnon
Managing Director Padaeng Industry

5 Ernst Pleyer
Senior Vice-President Building Products

left to right

Corporate

1 Guy Ethier
Senior Vice-President Environment, Health and Safety

2 Marc Grynberg
Chief Financial Officer

3 Edwin D'Hondt
Senior Vice-President Information Systems

4 Ursula Saint-Léger
Senior Vice-President Human Resources

5 Luc Gellens
Senior Vice-President Corporate Development

6 Klaus Ostgathe
Senior Vice-President Umicore China

7 Alain Godefroid
Corporate Vice-President Legal Affairs
and Environment, Health and Safety

8 Stephan Csoma
Senior Vice-President Umicore South America

Dividends

If the appropriation of profit proposed to you is approved, a gross dividend of €1.85 per share will be paid for the financial year 2005 upon presentation of coupon No. 15.

Starting 28 April 2006

Payment of dividends on presentation of coupon No. 15 at the registered offices and branches of the following institutions:

- Fortis Bank
- ING
- Bank Degroof
- Dexia Bank
- KBC Bank
- Petercam S.A.

Financial calendar

26 April 2006	General Meeting of Shareholders (financial year 2005)
24 August 2006	Press release and interim results for the first half of 2006
mid February 2007	Press release and results for financial year 2006
25 April 2007	General Meeting of Shareholders (financial year 2006)

Additional information

Stock	Euronext Brussels
Financial information	**Tim Weekes** Phone: 32-2-227.73.98 E-mail: tim.weekes@umicore.com
Social information	**Mark Dolfyn** Phone : 32-2-227.73.22 E-mail : mark.dolfyn@umicore.com
Environmental information	**Bert Swennen** Phone: 32-2-227.74.45 E-mail: bert.swennen@umicore.com
Annual report	This report is also available in French, Dutch and German
Internet	This report can be downloaded from the Umicore Website: www.umicore.com
Registered office	**Umicore** Rue du Marais 31 B-1000 Brussels - Belgium Phone: 32-2-227.71.11 Fax: 32-2-227.79.00 Internet: www.umicore.com E-mail: info@umicore.com Company Number: 0401574852 VAT No: BE 401.574.852
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Umicore
Société Anonyme/Naamloze Vennootschap
Broekstraat 31 rue du Marais
B-1000 Brussels, Belgium

Tel +32 2 227 71 11
Fax +32 2 227 79 00
e-mail info@umicore.com
www.umicore.com

VAT BE 401 574 852
Company Number 0401574852
Registered Office: Broekstraat 31 rue du Marais - B-1000 Brussels - Belgium