umicore
materials for a better life

2010

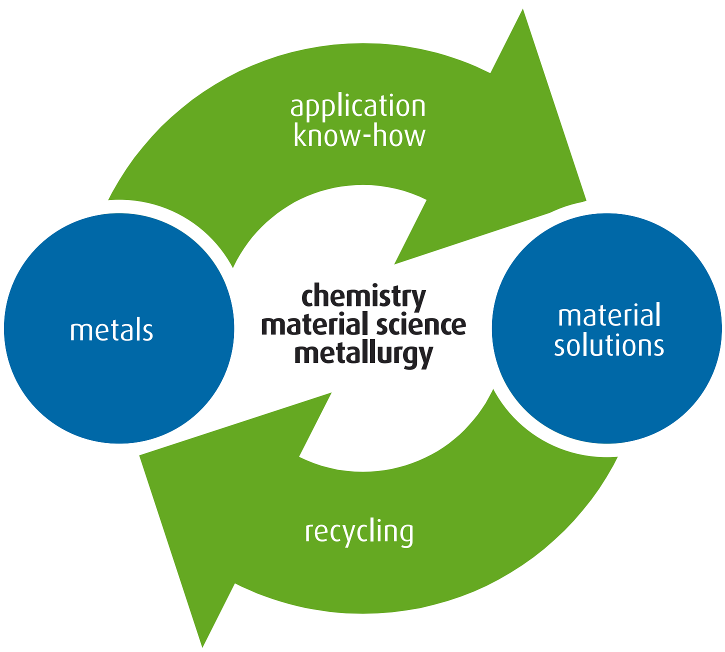
# Report to Shareholders and Society

# Who we are

Umicore is a global materials technology group. It focuses on application areas where its expertise in materials science, chemistry and metallurgy makes a real difference. Its activities are centred on four business areas: Catalysis, Energy Materials, Performance Materials and Recycling. Each business area is divided into market-focused business units offering materials and solutions that are at the cutting edge of new technological developments and essential to everyday life.

Umicore generates the majority of its revenues and dedicates most of its R&D efforts to clean technologies, such as emission control catalysts, materials for rechargeable batteries and photovoltaics, fuel cells, and recycling. Umicore's overriding goal of sustainable value creation is based on an ambition to develop, produce and recycle materials in a way that fulfils its mission: materials for a better life.

## The Umicore approach to materials technology




FTSE4Good Index Series

SRI

World Business Council for Sustainable Development

KAURI

# 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"

# 2010 Report to shareholders and society

# About this report

This report covers Umicore's operations for the financial / calendar year 2010. No major changes of scope took place in 2010 and the data in the report is readily comparable with that of 2009. Historical data has been restated to take into the account the new business group configuration implemented in 2010.

Other additional information includes a summary of Umicore's approach to economic, environmental and social management. These elements have been provided on Umicore's website (http://www.umicore.com/sustainability/) and should be considered as part of this report.

The economic scope of the report covers all fully consolidated operations. In addition, the contributions of all associate and joint venture companies are included in the financial reporting. Ownership details of fully consolidated companies, associates and joint ventures can be found in the notes to the financial statements. Dialogue with financial analysts and investors results in ongoing adaptations to the economic and financial metrics published.

During 2005 we completed a process to set out our sustainable development approach. This process involved setting five group objectives for both environmental and social performance for the period 2006-2010 which, combined with our 'traditional' economic report, form the basis of this Report to Shareholders and Society and the previous reports for 2005, 2006, 2007, 2008 and 2009. The objectives were established through a process of broad internal and external consultation that included dialogue with external experts and managers from the different business segments, while also taking into consideration the views of other stakeholders such as environmental groups and various local, national and regional authorities. The data for the environmental and social performance indicators, which are linked to the various objectives, are collected through our environmental and social data management systems. The scope of the environmental and social objectives and indicators, along with a discussion of the progress made in 2010, are reported between pages 36 and 75. In the course of 2010, a new strategy was established – Vision 2015. This strategy is introduced on pages 8-11. The strategy includes specific objectives which will be reported on as from 2011.

Based on the 2009 Assurance Statement from ERM Certification and Verification Services we have made efforts to further strengthen site and business unit ownership regarding sustainability reporting requirements as well as refine the reporting to improve clarity and comprehensibility. By way of preparation for the 2011-2015 reporting cycle we also embarked on a more systematic inclusion of internal and external stakeholder feedback (see page 138). Progress was made in extending management and monitoring of sustainability performance in our supply chain. The external engagement process in this regard started in 2010 (see page 138).

The key social elements of the report are presented to the international trade unions during the joint monitoring committee in March, while the entire document is presented to shareholders at the Annual General Meeting in late April.

The financial statements and notes have been audited by PriceWaterhouseCoopers while assurance regarding the sustainability elements has been provided by ERM Certification and Verification Services. The third-party statements can be found on page 120 to 121 of the report. The report was published on-line on 25 March 2011. The report has achieved the B+ level of application of the Global Reporting Initiative (GRI).

The Global Reporting Initiative (GRI) is a network-based organisation that pioneered the world's most widely used sustainability reporting framework which sets out the principles and performance indicators that organisations can use to measure and report their economic, environmental, and social performance.

The guiding document for our sustainable development approach is The Umicore Way. This sets out the Group vision and the values we seek to promote. We have also developed a comprehensive framework for ethical business practice through our Code of Conduct and a Corporate Governance Charter which set out our management philosophy and governance principles. These documents are available on our website www.umicore.com.


Thomas Leysen
Marc Grynberg

# Message to shareholders and society

In 2010 Umicore emerged from the global economic crisis in a very robust manner. We produced a very strong set of financial results recording positive developments in almost all of our business units. Revenues rebounded by 16 % due to improving conditions in most of our end markets and earnings recovered markedly. The significant recovery in earnings was due to the combination of improved revenues and the benefits of selective reductions in our operational cost base achieved during 2009. Our return on capital employed reached 17.5 %. This was a notable achievement, both in terms of earnings generation and also disciplined capital management.

The most significant improvement was achieved in our Catalysis business where increases in global automotive production resulted in higher levels of demand for automotive catalysts. In our Performance Materials business we also saw a healthy recovery in most of the end markets served by our customers including the electronics, chemicals and automotive industries. Although the rebound in Energy Materials was somewhat less pronounced, the business group did record a very positive turn-around in the performance of the cobalt and nickel-related business activities. In Recycling, profitability increased from what were already strong levels in 2009. This was driven primarily by further improvements in the supply conditions for most of the complex residues and end-of-life materials that we recycle.

In terms of medium and longer term growth we finalized our Vision 2015 strategy during 2010. You will recall that we introduced the broad outline of this strategy to you last year and we are delighted with the progress that has been made. This strategy builds on the achievements of recent years and sets out our ambitions for the company. We have determined four key areas where Umicore's technology and expertise can make a real difference in rising to the challenges posed by key megatrends such as resource scarcity, the electrification of the automobile, the requirements for reduced emissions and the need for renewable energy generation. In this regard we will be focusing on dedicated growth initiatives in Automotive Catalysts (especially for heavy duty diesel catalysis), new recycling opportunities offered by our ultra high temperature technology, introducing new generations of battery materials for the automotive market and developing new materials for photovoltaic applications. These initiatives are expected to provide the main axis for Umicore's growth in the coming years. We have adapted our organizational configuration to better support these growth initiatives and believe that this new grouping will render the understanding of our business easier. Overall we anticipate that Umicore will be able to achieve revenue growth in excess of 10 % between 2011 and 2015. This growth will not be linear and will not be pursued at any price; we remain committed to financial discipline and retain our demanding requirements for value-creating returns.

During 2010 we also made progress in many key investment areas. A number of projects were completed during the year and big strides were taken towards successful completion of on-going investments. We also launched a major capability expansion in rechargeable battery materials targetted primarily at batteries for hybrid and electrical vehicles and a series of heavy duty diesel production and technology centre investments across the globe. We retained a healthy financial position and strong balance sheet through the year. We anticipate that overall investment levels will increase somewhat during 2011 and are likely to remain at high levels for the coming years as we deploy our longer term growth plans.

We are satisfied with the completion rates of our 2006-2010 sustainable develoment objectives. They have succeeded in their overall goal of promoting awareness of key environmental and social business considerations, placing all sites and entities at a similar level and preparing for a new series of performance-centred objectives in the coming years. You can see an achievement summary on pages 74 and 75 which gives an overview of our progress. Environmental and social considerations lie at the heart of our business and most of the themes covered by the 2006-2010 objectives have been taken further in the new Vision 2015 strategy. This strategy sets out a clear set of economic, social and environmental priorities for Umicore to 2015 and beyond. For a broad overview of our Vision 2015 strategy in all its aspects you can consult page 8-11 of this report.

Our environmental performance for 2010 showed an increase in total environmental impact which can largely be attributed to higher production volumes. Our safety performance was unsatisfactory as we recorded an increase in both accident frequency and severity. We launched a project during the year to drive comprehensive, Group wide improvement initiatives that will help us make further progress in our goal of creating a zero accident work environment for all our employees.

The number of people employed by Umicore increased over the year, notably in those areas anticipating the strongest growth in the coming years. We were also gratified to see recruitment and investment activities resume at some of the operations and sites that had felt the greatest impact from the economic downturn. During 2010 we conducted the latest edition of our people survey and we are pleased to report that satisfaction levels among our colleagues have improved further in 2010. Although a gap remains with the highest performing companies we are satisfied that the improvement plans implemented in previous years have borne fruit and that we also have a clear indication of the most pressing areas for improvement in the future.

In our view this report represents a balanced and reasonable presentation of our organization's economic, environmental, and social performance for 2010. We believe that it offers the reader insight into the areas where we have made progress and those where we must make further efforts in the future. We have prepared this report in accordance with the GRI Guidelines Version 3 (G3) and, as previously indicated, have made further additions and improvements compared to previous reports which we hope will add to your understanding of Umicore. This report represents the last in a five year reporting cycle that we started back in 2005. In line with the introduction of our new Vision 2015 strategy we are currently working on the introduction of a revised reporting format that will offer a more complete and integrated view of our performance. This is an approach that has been informed by intensive stakeholder dialogue in recent years and we look forward to introducing it to you in 2012.

We would like to thank our various stakeholders for their engagement with our business during 2010. We have benefited from a high degree of customer loyalty through the downturn and it has been a rewarding experience to support these customers as they start to grow again. We would like to thank in particular our people who demonstrated resilience, imagination and dedication in enabling us to emerge from the downturn in good shape. We are now ready for the next phase in the development of Umicore as a truly sustainable corporation.

Marc Grynberg

Chief Executive Officer

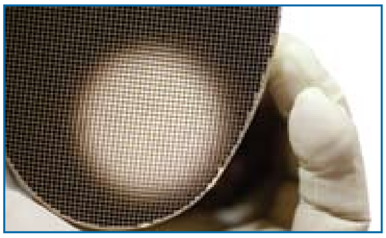
Thomas Leysen

Chairman

# Highlights of 2010

## March

Announcement of an investment programme for rechargeable battery materials Asia including a new facility in Kobe, Japan and an expansion in Korea and China.



## May

Automotive Catalysts announces that it will be building a technology development centre in Suzhou, China.


## June

Umicore's new strategy, Vision 2015, is announced to all employees. The business segments are reorganized and renamed in alignment with the growth drivers.

Inauguration of the environmental remediation treatment facility at Viviez, France.

## August

The dividend policy is amended and an interim dividend is introduced.

## September

2010 People Survey is conducted with an 86% participation rate.
The results show further improvements.

## October

Grand opening of the substrates plant in Quapaw, USA.

Safety milestones reached at Auburn Hills and South Plainfield, USA.

New investment programme announced for Thin Film Products.

## November

Construction starts on the new lithium ion battery materials facility in Kobe, Japan.

Capital Markets Event for analysts and investors showcasing the Recycling activities.

# Key figures

(in million €)

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| Turnover | 8,205.7 | 8,309.9 | 9,124.0 | 6,937.4 | 9,691.1 |
| Revenues (excluding metal) | 1,685.4 | 1,910.0 | 2,100.3 | 1,723.2 | 1,999.7 |
| Recurring EBITDA | 433.8 | 471.3 | 467.3 | 262.7 | 468.7 |
| Recurring EBIT | 329.2 | 359.1 | 354.6 | 146.4 | 342.5 |
| of which associates | 38.2 | 26.8 | 32.0 | (6.1) | 30.1 |
| Non-recurring EBIT | (9.3) | (28.6) | (101.9) | (11.4) | (9.1) |
| IAS 39 effect on EBIT | (6.3) | 4.0 | (3.6) | 6.2 | (9.4) |
| Total EBIT | 313.6 | 334.4 | 249.1 | 141.2 | 324.0 |
| Recurring EBIT margin (%) | 17.3 | 17.4 | 15.4 | 8.9 | 15.6 |
| Recurring net profit, Group share | 218.3 | 225.7 | 222.1 | 81.9 | 263.4 |
| Result from discontinued operations, Group share | (19.4) | 425.8 | (2.4) | (4.2) | (0.0) |
| Net profit, Group share, with discontinued operations | 195.8 | 653.1 | 121.7 | 73.8 | 248.7 |
| | | | | | |
| R&D expenditure | 110.3 | 124.5 | 165.0 | 135.7 | 135.0 |
| Capital expenditure | 108.2 | 152.9 | 216.0 | 190.5 | 172.0 |
| Net cash flow before financing | (213.3) | 778.6 | 195.3 | 258.4 | (68.2) |
| | | | | | |
| Total assets of continued operations, end of period | 3,775.9 | 3,220.8 | 3,024.9 | 2,826.7 | 3,511.6 |
| Group shareholder's equity, end of period | 939.0 | 1,491.2 | 1,290.7 | 1,314.2 | 1,517.0 |
| Consolidated net financial debt of continued operations, end of period | 813.3 | 177.9 | 333.4 | 176.5 | 360.4 |
| Gearing ratio of continued operations, end of period (%) | 45.1 | 10.4 | 20.0 | 11.4 | 18.6 |
| Capital employed, end of period | 1,752.2 | 1,888.2 | 1,902.5 | 1,781.1 | 2,181.8 |
| Capital employed, average | 1,740.9 | 1,827.9 | 1,997.2 | 1,797.7 | 1,961.6 |
| Return on Capital Employed (ROCE) (%) | 18.9 | 19.6 | 17.8 | 8.1 | 17.5 |
| | | | | | |
| Workforce, end of period | 13,932 | 14,844 | 15,413 | 13,720 | 14,386 |
| of which associates | 4,879 | 5,018 | 5,334 | 4,405 | 4,828 |
| Accident frequency rate | 7.20 | 5.30 | 5.32 | 3.12 | 3.54 |
| Accident severity rate | 0.20 | 0.13 | 0.17 | 0.08 | 0.13 |

Data per share can be found on page 18-19.

Some key figures have been adjusted for discontinued operations for the year prior to the discontinuation. 2006 figures were restated for operations discontinued in 2007, except for “Cashflow before financing”, “Total assets”, “Net financial debt”, “Gearing ratio”, and the safety figures. 2008 figures were restated for operations discontinued in 2009, except for “Capital expenditure”, “Cashflow before financing”, “Total assets”, “Net financial debt”, “Gearing ratio”, “Capital employed”, “ROCE”, and the safety figures.

All non-IFRS related indicators used in this table are used by management in measuring the performance of the business. The definition of these different indicators can be found in the glossary.

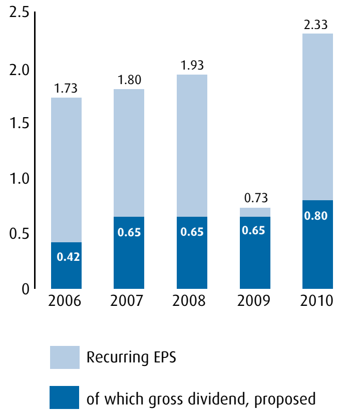
Record EPS

**Dividend increased**

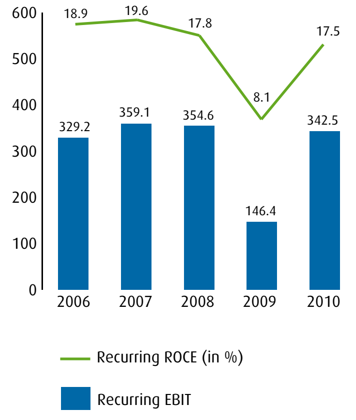
**Completion of sustainable development objectives**

# Key economic indicators

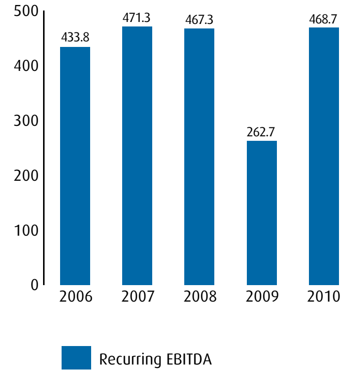
### Recurring EPS & dividend (in €)




### Recurring EBIT & ROCE (in million €)

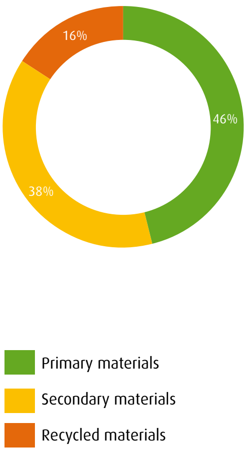



### Recurring EBITDA (in million €)



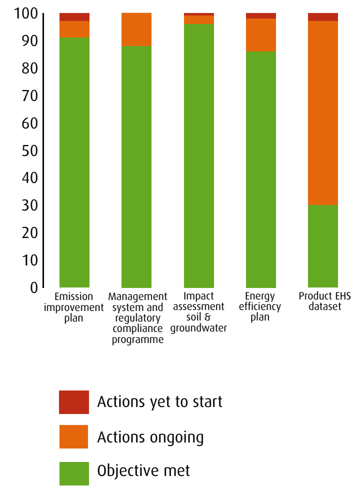

# Key environmental indicators

### Resource efficiency

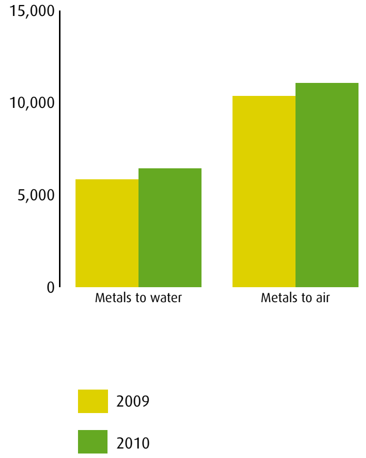



### Environmental objectives 2006-2010 Overview status 2010

obj 1-4: as a % of total n° of sites;
obj 5: as a % of total n° of data sets

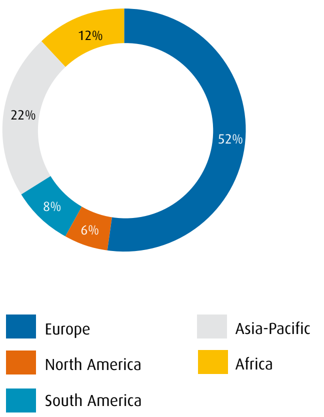



### Metal emissions to water and air (in kg)

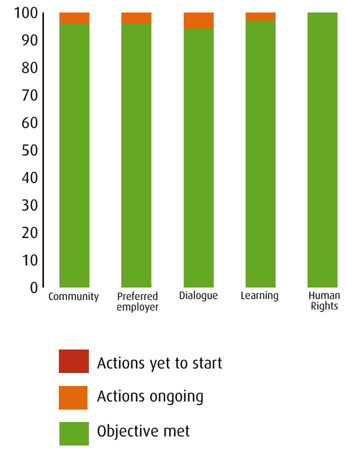



# Key social indicators

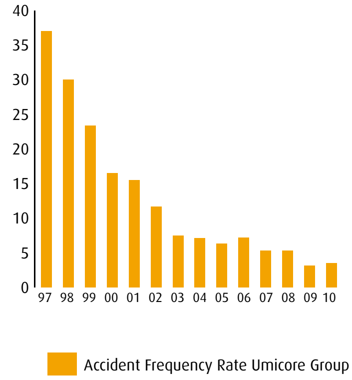
### Workforce




### Social objectives 2006-2010 Overview status 2010




### Accident Frequency Rate



# Vision 2015

**Vision 2015 is Umicore's strategy that sets out our economic, social and environmental goals to 2015 and beyond.**

We have identified four areas for exceptional growth – rechargeable battery materials for hybrid and electric vehicles, new markets for automotive catalysts, new opportunities in recycling and materials for photovoltaics. We have elected to focus our growth strategy on these areas where we can build on existing competencies, market positions and our long-standing expertise in metallurgy, materials science, application know-how and our closed loop offering. The strategy will also further develop Umicore's unique offering for the electrification roadmap of the automobile by leveraging our expertise in automotive catalysts, rechargeable battery materials, fuel cell technology and recycling. While the fastest growth will come in the four areas mentioned, our ambition is that the other activities in our business will grow at healthy rates and will be managed for optimum performance.

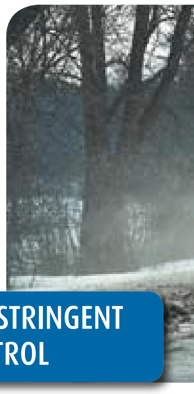
Here Denis Goffaux outlines what Vision 2015 means for Umicore's four new business groups.

**Denis Goffaux** was appointed as Umicore's Chief Technology Officer (CTO) in 2010. He is also the Executive Committee member responsible for Umicore's environment, health and safety performance.

## What are the key elements driving Vision 2015?

"Vision 2015 has been shaped by global scale political, economic, social and environmental megatrends. We focused on those trends where our expertise and skills mean we have a special and in certain cases a truly unique offering. These trends also offer the greatest possibilities for growth".

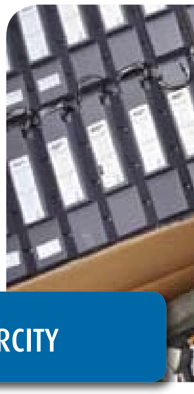
**The 4 key megatrends for Umicore are:**



INCREASINGLY STRINGENT EMISSION CONTROL

THE ELECTRIFICATION OF THE AUTOMOBILE

THE DRIVE FOR RENEWABLE ENERGY



RESOURCE SCARCITY

## Why have you decided to change the organization of the businesses?

"We have adapted our organizational structure to the strategy and created four business groups called Catalysis, Energy Materials, Performance Materials and Recycling. Each of these is closely identified with specific growth drivers."

## Do you have targets for where you want the company to be in 2015?

"Yes. We have clear objectives of where we want to be. These cover the growth ambitions of the company and also how we intend to further improve our environmental and social performance".

### CATALYSIS

#### New markets for automotive catalysts

"Regulation pushes the internal combustion engine to become ever cleaner and more efficient." Denis adds: "For many years our automotive catalyst technologies have been helping automotive producers develop cars that pollute less. Emission legislation continues to become more stringent and catalysts are now required for trucks and other large, 'heavy duty diesel' vehicles. Catalysts are also becoming increasingly important in newer automotive economies such as China and South America – where Umicore is a leading producer – as these countries are also introducing legislation for cleaner air."

### ENERGY MATERIALS

#### Materials for clean cars and solar power

"I am sure that the cars we drive will be very different in ten years. The key challenges for electrified vehicles today are their range and cost" say Denis. "This is where our materials can play a role. Umicore is already one of the top producers of cathode materials for lithium ion batteries used in portable electronics. We are a pioneer in new grades of materials which can really help make electrified transport a reality by enabling our customers to make higher performance batteries at a lower cost.
We also have expertise in a range of materials that have a role to play in high-efficiency solar cells."

### PERFORMANCE MATERIALS

#### Developing a global business

The ambition is to grow this business in line with the global economy. Denis is enthusiastic about the challenge: "The growth opportunities in this business lie in many areas. Many of the businesses have the possibility to accelerate their growth in new geographical markets while others are developing new materials, products and services. Several of these also have a link to the key megatrends that I mentioned, such as the materials we produce for energy efficient buildings, recycling services and new materials with a reduced environmental footprint."

### RECYCLING

#### New recycling technology

"As a society we need to be more conscious of natural resources and their scarcity ... there is a limited supply of metals", explains Denis. "We are recognized for our expertise in recycling and our ability to treat complex materials. Our new ultra-high temperature technology will open new opportunities for us.
This process offers high recycling rates, is energy efficient and produces minimal waste. We will develop our business by recycling new material streams, such as spent rechargeable batteries."

## Economic performance

**Growth and returns:** we aim to achieve double digit revenue growth and our goal is to generate an average return on capital employed of more than 15 %.

## Great place to work

**Zero accident:** we aim to have ZERO lost time accidents.

**Occupational exposure reduction:** we will reduce the body concentrations of specific metals to which our employees have an exposure: Cd, Pb, Co, Ni, As, Pt.

**People development:** all employees worldwide will receive an annual appraisal to discuss individual development.

**Preferred employer:** we will target specific actions based on the results of the 2010 People Survey.

## Eco-efficiency

**Reduce carbon footprint:** we aim to reduce our $CO_2$ emissions by 20 % vs the levels of 2006 and using the same scope of activities as 2006.

**Emission reduction:** we aim to reduce by 20 % the impact of metal emissions to water and air vs 2009 levels.

**Product sustainability:** we will invest in tools to better understand and measure the life cycles and impacts of our products.

## Stakeholder engagement

**Sustainable procurement:** we will implement our new Sustainable Procurement Charter throughout our business.

**Local community:** all our sites will be expected to make further steps in identifying key stakeholders and engaging with the local community.

## CATALYSIS

Catalysis plays a significant role in the abatement of global automotive emissions through its automotive catalysts products. A complete technology portfolio is available to support a global customer base with a manufacturing footprint on five continents producing consistent quality products around the world. These products include emission abatement solutions for gasoline and diesel light duty vehicles as well as a full product offering for heavy duty diesel solutions for trucks and other large vehicles. The business group also produces precious metals based compounds for use in the fine chemicals, life science and pharmaceutical industries. The business is organized in two business units: Automotive Catalysts and Precious Metals Chemistry.

## ENERGY MATERIALS

The materials produced by Energy Materials can be found in a number of applications used in the production and storage of clean energy including rechargeable batteries and photovoltaics, as well as in a range of other applications. The majority of the products are high-purity metals, alloys, compounds and engineered products based on cobalt, germanium and nickel. The business group is composed of three business units - Cobalt & Specialty Materials, Electro-Optic Materials and Thin Film Products.

## PERFORMANCE MATERIALS

Performance Materials applies its technology and know-how to the unique properties of precious and other metals, offering materials enabling its customers to develop better, more sophisticated and safer products. Its zinc products are renowned for their protective properties while its precious metals-based compounds and materials are essential for applications as diverse as high-tech glass production, electrics and electronics. Performance Materials is organized around five business units: Zinc Chemicals, Electroplating, Platinum Engineered Materials, Technical Materials and Building Products. It also comprises a 40 % shareholding in Element Six Abrasives - a joint venture with De Beers.

## RECYCLING

Recycling treats complex waste streams containing precious and other non-ferrous metals. The operations can recover some 20 of these metals from a wide range of input materials ranging from industrial residues to end-of-life materials. Recycling is unique in the range of materials it is able to recycle and the flexibility of its operations. Input materials, which are sourced from a truly global supply base, come predominantly from secondary sources. The business group is divided into four business units: Precious Metals Refining, Battery Recycling, Jewellery & Industrial Metals and Precious Metals Management.

# Economic report

# We grow together

## ...the Umicore way

Umicore endeavours to provide today's society, and that of the future, with innovative materials which enhance the quality of life while reducing the impact of human activity on the environment: "Less is more". We do this by harnessing our unique experience and expertise in combining materials science, chemistry and metallurgy.

We help set society on a course towards a sustainable future. Our strategic vision of sustainable development is a common thread through all of our activities.

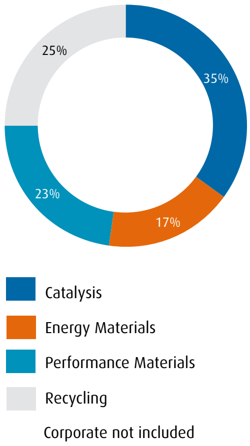
**That is our way of doing business: "The Umicore Way".**

Construction of the new battery materials facility in Kobe.

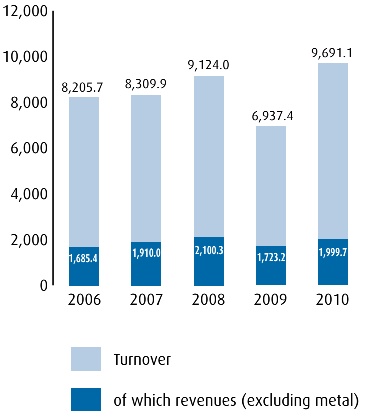
# Economic and financial review[1]

## Revenues

### Revenues




### Turnover (in million €)

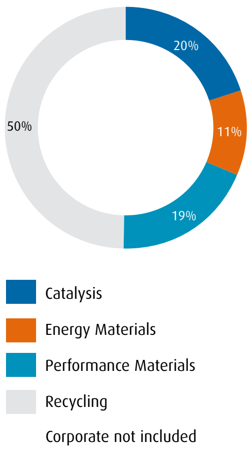



Revenues increased by 16 % compared to 2009. Umicore benefitted from improved conditions in the majority of the end markets that are served by its customers. The first half of the year was characterized by a combination of market recovery and restocking by certain customers. The second half of the year saw an end to the positive re-stocking effect and underlying demand strengthening further. Supply conditions for most of Umicore's recycling activities strengthened through 2010.

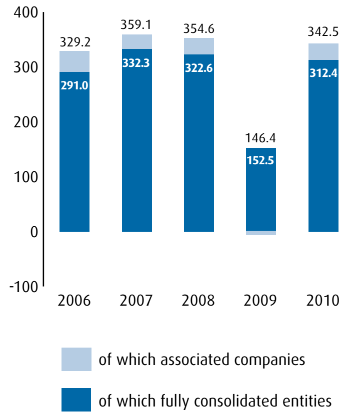
The turnover (which includes metal values) was 40 % higher year-on-year reflecting both the higher level of business activity and higher average metal prices compared to 2009. For Umicore, revenue is a more meaningful metric of "top-line" performance than turnover as it excludes the price of metals passed through to customers.

## Recurring EBIT

### Recurring EBIT



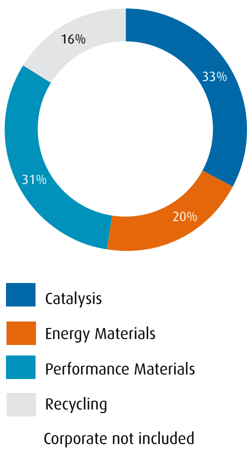

### Recurring EBIT (in million €)



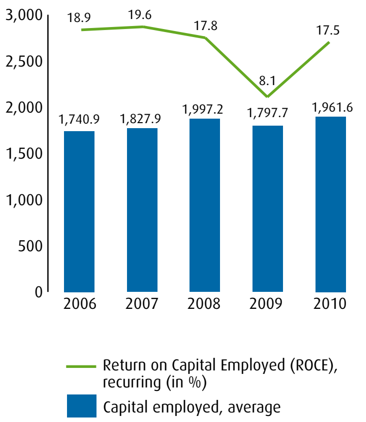

Recurring EBIT was € 342.5 million compared to € 146.4 million in 2009 with all business segments recording higher recurring earnings. The most significant improvement in percentage terms came in Catalysis which felt the combined effect of improved demand from the automotive sector and the positive impact of the cost reduction measures implemented during late 2008 and 2009. In Energy Materials the recovery in earnings was driven by the Cobalt and Specialty Materials business unit which recorded significant improvements in most of its product areas. The Performance Materials business saw earnings double year-on-year. This was due to a recovery in the end markets for most fully consolidated businesses and a much improved performance from the Element Six Abrasives associate. The Recycling business performed outstandingly well, primarily due to further improvements in supply conditions and metals prices. Net recurring corporate costs were in line with those of 2009 at € 49.8 million.

## Capital employed

### Capital employed (average)




### Capital employed (in million €)




Year-end capital employed was above the levels at the end of 2009, primarily due to an increase in levels of working capital. Consequently, average capital employed was also up year-on year. The working capital increase reflected the higher level of business activity as well as higher metal prices.

Return on capital employed (ROCE) reached 17.5 % in 2010 compared to 8.1 % in 2009.

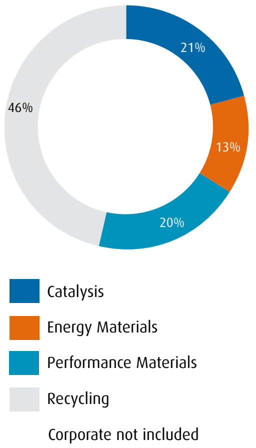
(1) The time charts for revenues, recurring EBIT, recurring EBITDA and research & development were restated in 2006 for operations discontinued in 2007, and in 2008 for operations discontinued in 2009. The time charts for capital employed and capital expenditure were restated in 2006 for operations discontinued in 2007 only.

## Depreciation, recurring EBITDA & non-recurring elements

Depreciation charges on property, plants & equipment and intangible assets totalled € 126.2 million, some € 10 million higher than the level of 2009. This was due to the completion of several new investments in 2010. Overall recurring EBITDA increased by 78 % compared with 2009.

There was a negative impact on EBIT from non-recurring elements of € 9.1 million and a negative IAS 39 effect of € 9.4 million. The non-recurring elements were mainly a combination of restructuring provisions, the impairment of an investment and a review of the environmental provisions. More details on the non-recurring results can be found in the notes to the financial statements on page 91.

### Recurring EBITDA



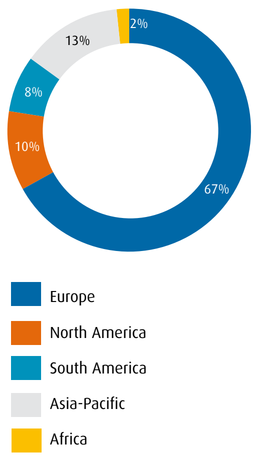

### Recurring EBITDA (in million €)


## Capital expenditure

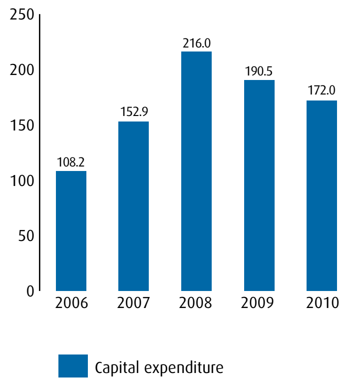
Capital expenditures reached € 172.0 million compared to € 190.5 million in 2009.

Some 50 % of the total capital expenditures were for growth projects. The most significant of these projects were the new UHT recycling operation in Belgium, the capacity and capability investments for rechargeable battery materials in Asia and new testing and production infrastructure in Automotive Catalysts.

### Capital expenditure




### Capital expenditure (in million €)

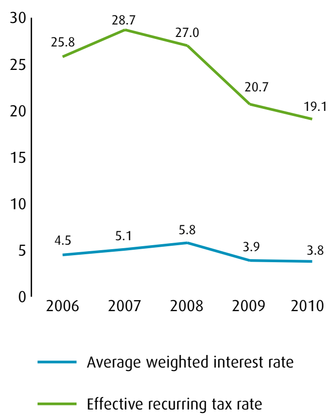



## Financial cost & taxes

The total tax charge for the period was € 54.2 million, some € 34 million higher than in 2009. This increase was in line with higher profits in 2010. The recurring tax charge for the period of € 56.1 million corresponded to an overall effective recurring tax rate of 19.1 % on recurring pre-tax consolidated income. This was slightly below the level of 2009 as a result of the slight change in the geographical spread of earnings and the net positive impact of tax credits.

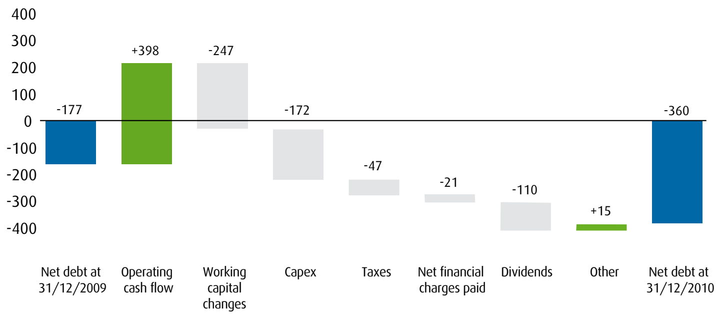
Net recurring financial charges were significantly lower than 2009 (€ 18.4 million versus € 33.6 million). This lower financial charge was driven mainly by foreign exchange fluctuations while the average interest rate was stable (3.8 % vs 3.9 % in 2009).

### Interest & tax rate (in%)



## Cashflows

### Cashflow effect on net financial debt (in million €)

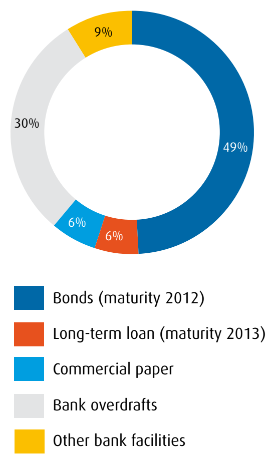



Umicore continued to generate healthy cash flows during 2010. The net operating cash flow was € 104.1 million, compared to € 450.7 million in 2009. The main difference was attributable to higher working capital requirements which increased by € 247.0 million through the year. This was driven mainly by higher levels of business activity and higher metals prices.

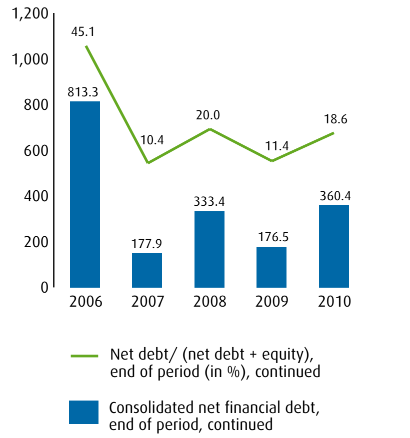
The cash outflow includes elements such as capital expenditure, acquisitions, dividends, interests and taxes and an inflow from capital changes and disposals.

## Net debt evolution

### Gross outstanding debt




### Net financial debt (in million €)




The net financial debt at the end of 2010 stood at € 360.4 million.

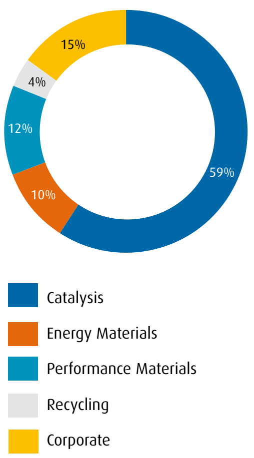
This was € 183.9 million above the level at the end of 2009 with the main variance attributable to the increase in working capital requirements.

The end-of-year gearing ratio was 18.6 % compared to 11.4 % at the end of 2009.

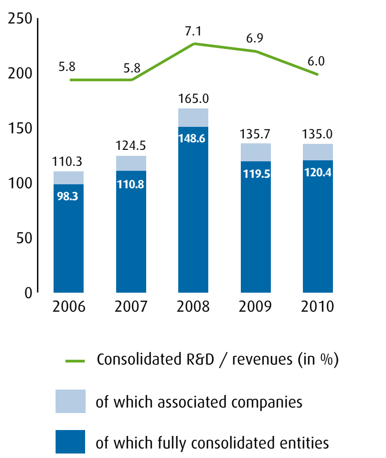
About half of the outstanding gross debt was either medium or long term in nature with maturity dates in 2012 and 2013. Less than 5 % of the syndicated credit facility, with a limit of € 450 million, was in use at the end of 2010.

## Research and development

### R&D expenditure




### R&D expenditure (in million €)




Overall R&D expenditure (which includes Group level efforts and those of the business units) was € 135.0 million, of which some € 15.3 million were capitalised. Excluding the associates contribution of € 14.6 million, this corresponded to 6 % of revenues. During the year 42 patent families were filed.

In Catalysis, R&D expenditure was stable year on year despite increased activity, as a result of efficiency gains. In Energy Materials efforts were stepped up in research focused on energy storage and photovoltaic applications. Expenditure in Performance Materials was up, especially in Element Six Abrasives. R&D spend in Recycling decreased somewhat, as the main effort shifted to the construction of the UHT plant. In the fuel cells development activity collaboration with OEMs for automotive applications continued to develop positively. Order levels, mainly for stationary applications, increased through the year.

## Distribution of economic benefits

Of Umicore's total income, the most significant portion was used to secure the metal component of raw materials. After substracting other raw materials costs, energy-related costs and depreciation, the remaining economic benefits available for distribution stood at € 975.5 million.

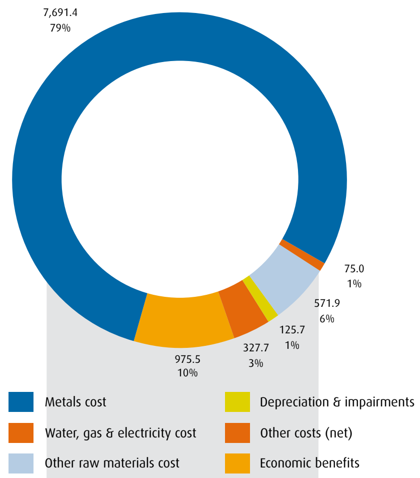
The biggest portion (€ 636.8 million) was distributed to employees in the form of salaries and other benefits. Net interest paid to creditors decreased slightly. Umicore paid taxes to the governments and authorities in the places where it operates, totalling € 72.0 million. The earnings attributed to minority shareholders totalled € 4.4 million.

Subject to approval by shareholders at the AGM in April 2011, the gross proposed dividend for the year was raised to € 0.80 per share, resulting in a total provisional pay-out of € 90.8 million. Of this figure € 36.8 million was already paid out in October 2010 in the form of an interim dividend, and the remainder will be paid out in 2011. This is in line with Umicore's policy of paying a stable or gradually increasing dividend. Umicore also spent some € 1.0 million on charitable donations.

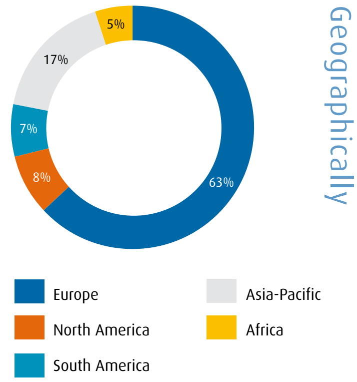
The bulk of employee benefits were in the form of salaries, with the balance being in the form of national insurance contributions, pensions and other benefits. Employee benefits are only reported for fully consolidated entities and therefore cannot be readily compared with total headcount figures, which include associate companies. A full breakdown of employee numbers by region and by category can be found on pages 56-57.

### Total income €9,767.2 (in million €)

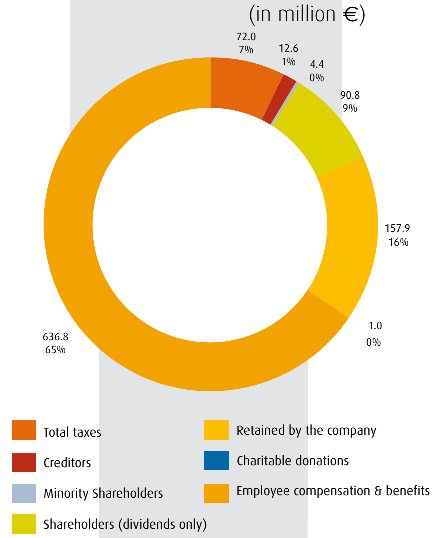
(including contribution from associates)



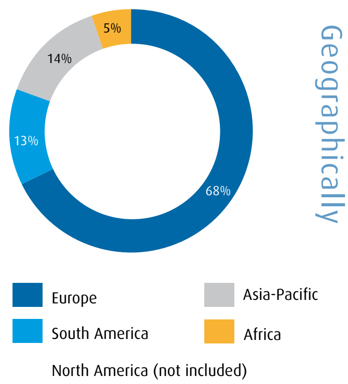

### Turnover (split by destination, excluding Precious Metals Management)



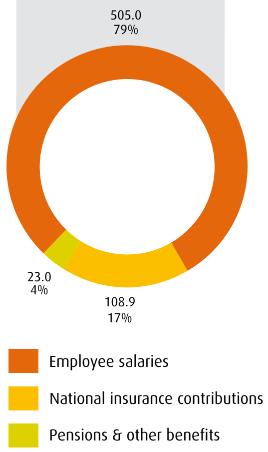

### Economic benefits €975.5 (in million €)



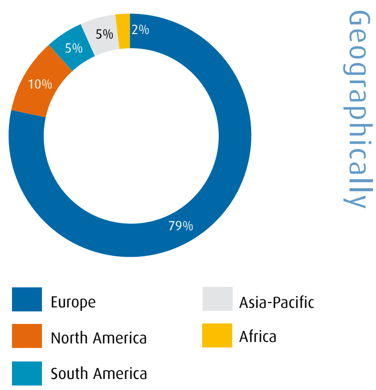

### Income taxes




### Employee Compensation & Benefits €636.8 (in million €)




### Employee Compensation & Benefits



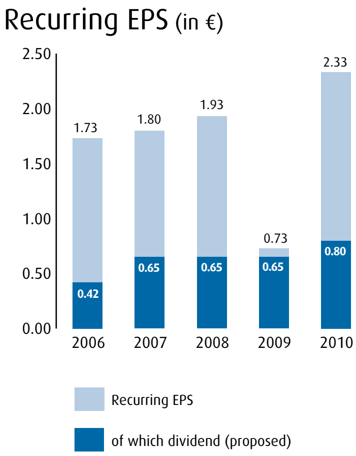
# Share information

## Earnings per share and dividends(1)(2)(3)

Recurring earnings per share reached a record level of € 2.33 in 2010. Total basic earnings per share reached € 2.20.

If the appropriation of profit proposed to shareholders is approved, a gross dividend of € 0.80 per share will be paid for the financial year 2010. Taking into account the gross interim dividend of € 0.325 paid in October 2010, a balance gross amount of € 0.475 will be paid on 4 May 2011. The System Paying Agent designated for the payment of the 2010 dividend is:

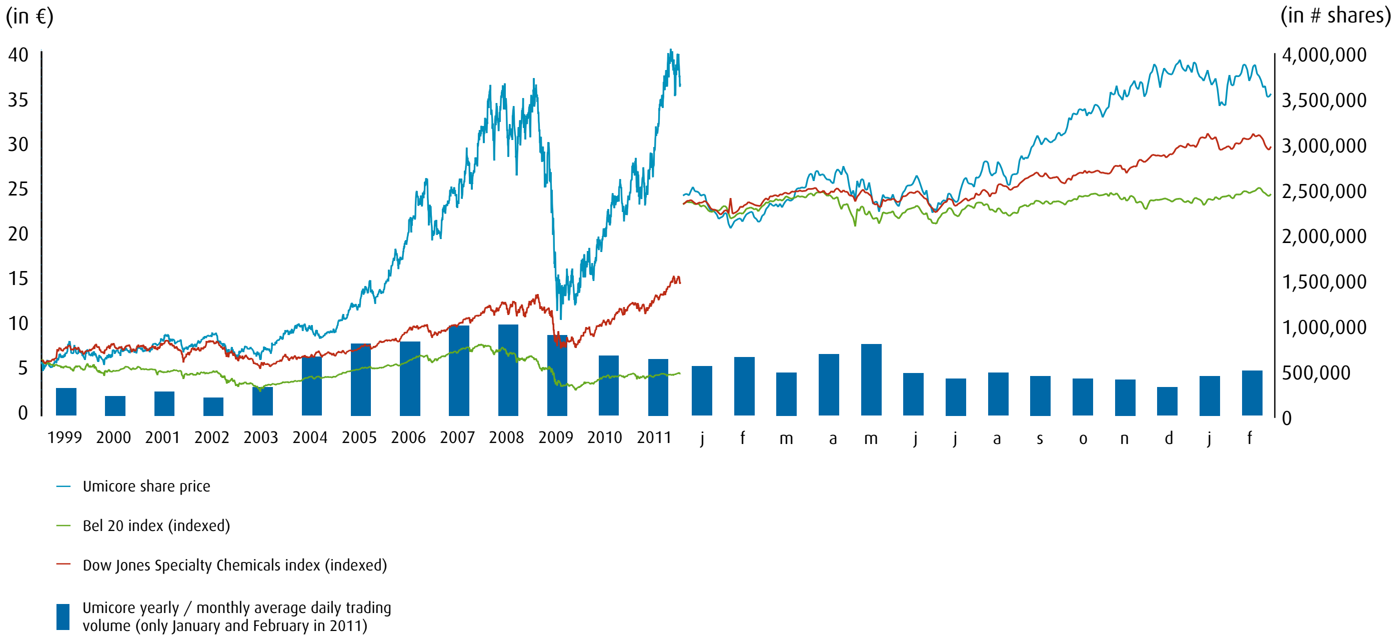
KBC Bank
Havenlaan / Avenue du Port 2
1080 Brussels




## Capital structure

During the year 1,008,550 treasury shares were used in the context of the exercise of employee stock options while another 21,000 were part of a share grant to senior management. At year-end the company held 6,476,647 of its own shares, corresponding to 5.4 % of the total issued shares.

## Share price & trading volumes(1)



## Key figures per share (1)(3)

(in €/share)

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| Recurring EPS | 1.73 | 1.80 | 1.93 | 0.73 | 2.33 |
| EPS excluding discontinued operations | | | | | |
| basic | 1.70 | 1.81 | 1.08 | 0.69 | 2.20 |
| diluted | 1.67 | 1.79 | 1.07 | 0.69 | 2.19 |
| EPS including discontinued operations | | | | | |
| basic | 1.55 | 5.21 | 1.06 | 0.66 | 2.20 |
| diluted | 1.52 | 5.15 | 1.05 | 0.65 | 2.19 |
| Gross dividend (2) | 0.42 | 0.65 | 0.65 | 0.65 | 0.80 |
| Net cash flow before financing, basic | (1.69) | 6.22 | 1.69 | 2.30 | (0.60) |
| Total assets of continued operations, end of period | 29.79 | 26.82 | 26.95 | 25.13 | 30.93 |
| Group shareholder's equity, end of period | 7.41 | 12.42 | 11.50 | 11.68 | 13.36 |
| Share price | | | | | |
| High | 26.00 | 36.53 | 37.10 | 24.32 | 40.37 |
| Low | 19.09 | 23.72 | 10.27 | 11.89 | 21.19 |
| Close | 25.80 | 34.00 | 14.07 | 23.40 | 38.92 |
| Average | 22.74 | 30.65 | 26.55 | 17.75 | 28.58 |

## Capital structure

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| Number of shares (1) (4) | | | | | |
| Total number of issued shares, end of period | 130,050,125 | 130,986,625 | 120,000,000 | 120,000,000 | 120,000,000 |
| of which registered shares | 89,334 | 149,919 | 204,160 | 6,314,380 | 6,297,224 |
| of which treasury shares | 3,304,260 | 10,911,770 | 7,757,722 | 7,506,197 | 6,476,647 |
| Average number of shares outstanding | | | | | |
| basic | 126,469,895 | 125,233,789 | 115,263,300 | 112,350,457 | 113,001,404 |
| diluted | 128,750,009 | 126,850,152 | 116,259,507 | 112,884,977 | 113,724,891 |
| Capital, end of period (in million €) | | | | | |
| Issued capital | 463.2 | 466.6 | 500.0 | 500.0 | 500.0 |
| Group shareholder's equity | 939.0 | 1,491.2 | 1,290.7 | 1,314.2 | 1,517.0 |
| Market capitalisation | 3,270.0 | 4,082.5 | 1,579.2 | 2,632.4 | 4,418.3 |
| Shareholder base, end of period (%) (5) | | | | | |
| Umicore (treasury shares) | 2.54 | 8.33 | 6.46 | 6.26 | 5.40 |
| BlackRock Investment Management (UK) Limited | - | - | - | 8.33 | 8.33 |
| Barclays Bank PLC | - | - | 3.06 | - | - |
| Deutsche Bank AG | - | 3.18 | - | - | - |
| Fidelity International Limited | - | - | - | 5.04 | 6.75 |
| Fidelity Management and Research LLC | - | - | - | 3.11 | 3.22 |
| Parfina - Banque Degroof | 3.10 | 3.46 | 3.06 | - | - |
| Threadneedle Asset Management | - | - | 3.33 | - | - |
| Free float | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |

Ameriprise Financial Inc (which controls Threadneedle Asset Management) declared a holding of 3.00% dating from 18 February 2011.

(1) All data per share and the number of shares have been adjusted for the share split of 5:1, which took place on 29 February 2008.
(2) For those investors subject to Belgian withholding tax, the gross dividend is subject to a 25% withholding tax (reduced to 15% on presentation of VVPR strips). The 2010 dividend assumes acceptance by the shareholders of the Board's proposal of a gross dividend of € 0.80 per share.
(3) The "Recurring EPS" and "EPS excluding discontinued operations" figures were restated in 2006 for operations discontinued in 2007, and in 2008 for operations discontinued in 2009.
(4) In 2007 Umicore carried out two capital increases amounting to a total of 936,500 shares created as a result of the exercise of stock options with linked subscription rights. All remaining subscription rights were cancelled in late 2007. In 2008 Umicore carried out two share cancellation operations, cancelling 10,986,625 shares in total.
(5) Based on the last declaration made during the year. This implies that the shareholding at year end remained within the relevant bracket: <3%, 3-5%, 5-10%, etc. For updated information about the shareholding base please consult our website: http://www.investorrelations.umicore.com/en/shareInformation/shareholderStructure/.


William Staron
Executive Vice-President
Catalysis

Across the world, from Boston to Beijing, we provide clean air solutions with our automotive catalysts.

# Catalysis

## Profile

Catalysis plays a significant role in the abatement of global automotive emissions through its automotive catalysts products. A complete technology portfolio is available to support a global customer base with a manufacturing footprint on five continents producing consistent quality products around the world. These products include emission abatement solutions for gasoline and diesel light duty vehicles as well as a full product offering for heavy duty diesel solutions for trucks and other large vehicles. The business group also produces precious metals based compounds for use in the fine chemicals, life science and pharmaceutical industries.

The business is organized in two business units: Automotive Catalysts and Precious Metals Chemistry.

A majority of the Catalysis division metal requirements are covered, in theory, by Umicore's Recycling operations, which produces precious metals from secondary and end-of-life materials. In practice though, geographical and quality swaps are often required and involve metal from primary sources. None of the other raw materials sourced by the business come directly from secondary of end-of-life materials. The Automotive Catalysts business model requires a significant amount of technical support to conform to increasingly stringent emission legislation while providing the most cost effective system for our customers. As a result the business unit is Umicore's single biggest investor in research and development.

For a more detailed profile of the Catalysis business along with information on its sustainability context please visit: www.umicore.com/en/ourBusinesses/catalysis/

## Year performance and highlights

Revenues of Catalysis recovered sharply in 2010, increasing by 19 % year-on-year on the back of the recovery in the automotive sector and an uplift in the chemical and life science industries. Recurring EBIT almost quadrupled from € 16.7 million in 2009 to € 77.7 million in 2010. The significant improvement in earnings was due to the combination of revenue growth with the positive impact of the cost reduction measures implemented in 2009.

The Automotive Catalysts business continued to position itself for further growth opportunities, particularly in the area of heavy duty diesel. As a result, capital expenditures remained at a high level of € 45.7 million.

## Analysis overview

**Revenues**
+ 19%

**Strong recovery in 2010**

**Sales volumes grew in line with the market**

**EBIT quadrupled**

## Business review

In Automotive Catalysts global light duty vehicle production rose by some 25 % year on year. Production levels of the first half were largely maintained in the second half of the year, despite the tapering off of government incentives, and global inventory levels rose in line with vehicle sales volumes. Umicore's catalyst sales volumes and revenues grew in line with the car market, resulting in a strong overall performance.

In Europe, light duty vehicle production increased by some 15 % in 2010 with government incentives having largely expired by mid year. This brought second half production figures down some 10 % compared to the first half. The share of diesel engines in the market started to grow again and by year-end had returned to a level close to 50 % of the market. The growth of the diesel portion of the market and its requirements for more complex catalyst systems meant that Umicore's revenue growth outpaced that of vehicle build in Europe.

North America showed the most notable improvement from the particularly weak levels in 2009. Overall light duty vehicle production was up 39 % year on year. The market upturn was reflected to the same extent in Umicore's revenues. In South America vehicle production continued to grow in the second half resulting in a 13 % increase year on year and Umicore's growth in the region was in line with that of the market.

In China, production was up 30 %. The year-on-year growth was less pronounced in the second half, as the incentive schemes and their effectiveness started to taper off. In Japan and Korea, markets which are heavily influenced by overseas demand through exports, production was up by 19 % and 24 % respectively. In total, production of light duty vehicles in Asia was up 28 % and Umicore's overall revenue growth in the region was broadly in line with the market.

During the year Umicore secured a number of awards for future heavy-duty diesel business and continued to position itself for this additional business. In early 2011 Umicore announced the investment in a dedicated HDD production line in its plant in Florange, France. This investment will also support product and process development. The decision was also made to equip the technology development centre in Suzhou, China, with HDD development and testing facilities. Both investments, which are foreseen to be operational in the second half of 2012, will complement the HDD facilities already in place in other locations and will allow Umicore to offer HDD production and development services in all the regions where HDD emission legislation has been or is being introduced.

In the Precious Metals Chemistry business unit revenues recovered significantly from the 2009 downturn as a result of the higher demand in the key application areas. Sales volumes of pgm-containing precursors for automotive and chemical catalysts improved strongly in line with demand in the automotive and chemical sector. The business also successfully introduced innovative products for new applications in the life science sector. These products include pgm-containing dyes for dye-sensitised solar cells and metathesis reaction catalysts used in advanced molecular chemistry. The unit's sales of APIs (Active Pharmaceutical Ingredients), manufactured in Umicore's new plant in Argentina, grew in line with the South American market.

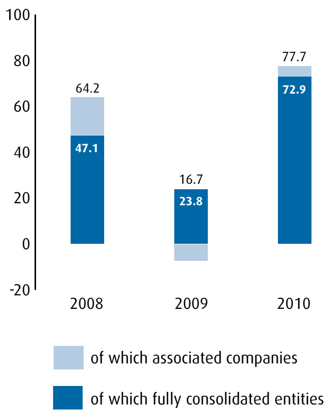
# In figures ...

(in million €)

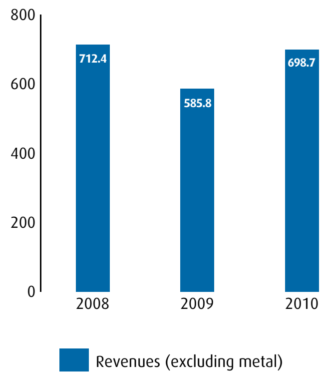
| | 2008 | 2009 | 2010 |
|---|---|---|---|
| Turnover | 2,033.9 | 1,155.7 | 1,548.3 |
| Revenues (excluding metal) | 712.4 | 585.8 | 698.7 |
| Recurring EBITDA | 84.9 | 39.5 | 104.6 |
| Recurring EBIT | 64.2 | 16.7 | 77.7 |
| of which associates * | 17.1 | (7.1) | 4.8 |
| Total EBIT | 58.7 | 13.2 | 72.4 |
| Recurring EBIT margin (%) | 6.6 | 4.1 | 10.4 |
| R&D expenditure | 112.0 | 80.8 | 79.9 |
| Capital expenditure | 53.0 | 46.0 | 45.7 |
| Capital employed, end of period | 609.0 | 554.4 | 640.3 |
| Capital employed, average | 681.9 | 558.5 | 611.3 |
| Return on Capital Employed (ROCE) (%) | 9.4 | 3.0 | 12.7 |
| Workforce, end of period | 2,128 | 1,903 | 1,921 |
| of which associates * | 229 | 241 | 225 |

* ICT Co. Japan, ICT Inc. USA, Ordeg Korea (Automotive Catalysts)
Due to the reorganization of segments, historical information is only available for 2008 and 2009 for each business group.

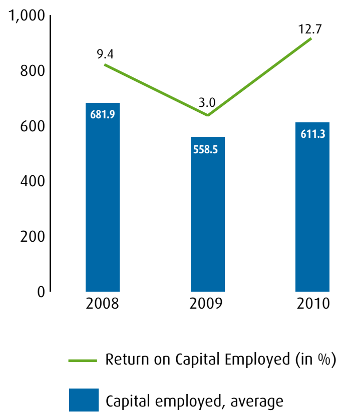
Recurring EBIT (in million €)



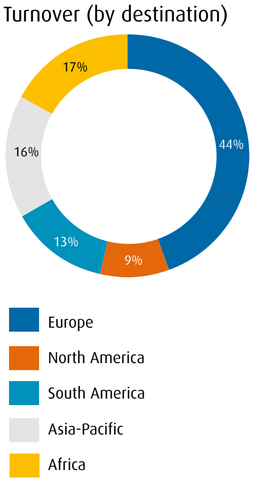

Revenues (in million €)



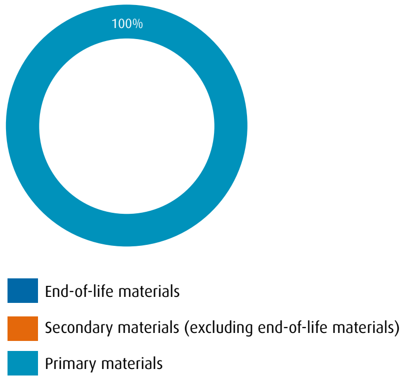

Capital employed (in million €)



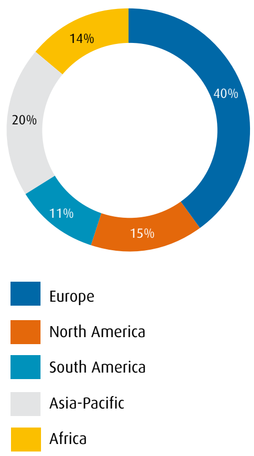

Turnover (by destination)




Resource efficiency




Workforce




Marc Van Sande
Executive Vice-President
Energy Materials

Our materials help power electric cars, mobile phones and laptop computers and form part of the brightest and most efficient LED lighting.

# Energy Materials

## Profile

The materials produced by Energy Materials can be found in a number of applications used in the production and storage of clean energy including rechargeable batteries and photovoltaics, as well as in a range of other applications. The majority of the products are high-purity metals, alloys, compounds and engineered products based on cobalt, germanium and nickel.

The business group is composed of three business units: Cobalt & Specialty Materials, Electro-Optic Materials and Thin Film Products.

More than 70 % of Energy Materials' raw materials needs are sourced from end-of life or secondary materials.

For a more detailed profile of the Energy Materials business along with information on its sustainability context please visit: www.umicore.com/en/ourBusinesses/energyMaterials/

## Year performance and highlights

Revenues of Energy Materials increased by 14 % in 2010 while recurring EBIT almost doubled from € 23.9 million in 2009 to € 43.9 million in 2010. The main reason for the increase was a strong recovery in demand in the Cobalt & Specialty Materials business, particularly in those products related to the ceramics, chemicals and tooling markets. Thin Film Products' performance also improved year-on-year. The Electro-Optic Materials business had a mixed year with strong sales of germanium substrates used in photovoltaic and LED applications not offsetting a reduction in sales of infra-red optics products. The contribution of associate companies was slightly lower year-on-year.

Capital expenditures were somewhat lower than in 2009 when the investment in the new substrates facility in Quapaw, USA, was completed.

## Analysis overview

**Revenues**
+14%

**Capacity expansions announced**

**Recovery in Cobalt & Specialty Materials**

**EBIT almost doubled**

## Business review

In Cobalt & Specialty Materials revenues were well up with all business lines contributing to the increase. Sales of materials for rechargeable batteries were well up although the market was characterised by high pressure on prices and margins. The ratio of NMC (lithium nickel-manganese-cobalt oxide) in the sales mix continued to increase partly as a result of higher sales for hybrid electrical vehicles batteries. During the year Umicore announced a € 60 million capacity and capability expansion for NMC materials involving the construction of a greenfield operation in Japan and expansions in Korea and China. The new facility in Japan is scheduled to be completed in the course of 2011. Umicore continued to strengthen its technology and IP position in the rechargeable battery materials field, in particular through intensive patenting activity and partnerships. The Ceramics and Chemicals business line recorded continued growth. Sales of nickel salts increased through market share gains and the business also benefited from tightness in the market for certain specific nickel-based raw materials. Sales volumes of inorganic cobalt-containing products were level with 2009, whereas sales of organic metallic compounds continued to grow. The European distribution activities were a key element in the strong performance. Sales volumes of cobalt powders in the Tool Materials business line increased significantly. This activity had been particularly hard-hit in 2009 by destocking in its customer base. Hard metal tool applications, which are mainly used in automotive, machinery and mining equipment, benefited from a higher activity level throughout the year, while the diamond tool-related activities, linked primarily to construction, only started to recover in the second half.

The higher average cobalt price and overall higher levels of customer activity increased the availability of recyclable material. As a consequence refined cobalt volumes were up significantly.

In Electro-Optic Materials sales of germanium substrates were well up year on year. Demand from the space market remained at a high level while non-space applications grew at a fast pace with higher demand from the LED lighting industry and renewed momentum in the terrestrial concentrator photovoltaics market. In Optics, demand from government sponsored programs remained low throughout the year. The smaller finished optics activities recorded significantly higher sales volumes. Sales for driver vision enhancement systems in cars progressed as well but at a slower pace. Sales volumes of germanium tetrachloride were flat and were mainly fuelled by optical network projects in China.

In Thin Film Products sales of materials used in optic and electronic applications were well above 2009 levels. Sales of electronics-related materials benefited from a strong recovery in the semiconductor market. In large area coatings, revenues rose well above those of the previous year. Sales of planar indium tin oxide targets continued to benefit from strong sales of touch panels for consumer electronics and for certain automotive uses. Sales for rotary targets grew both for photovoltaic applications and displays.

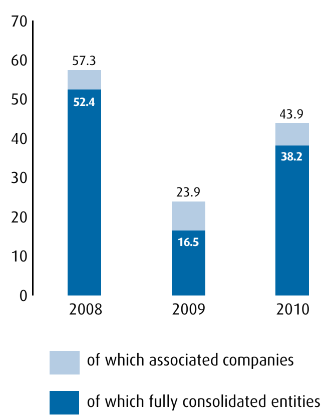
# In figures ...

(in million €)

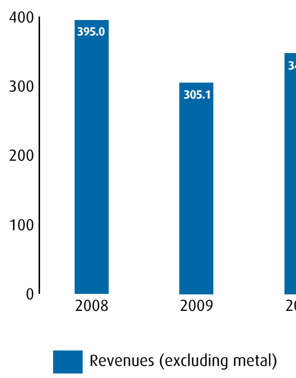
| | 2008 | 2009 | 2010 |
|---|---|---|---|
| Turnover | 982.9 | 541.4 | 702.3 |
| Revenues (excluding metal) | 395.0 | 305.1 | 347.6 |
| Recurring EBITDA | 80.1 | 44.7 | 67.5 |
| Recurring EBIT | 57.3 | 23.9 | 43.9 |
| of which associates * | 5.0 | 7.4 | 5.7 |
| Total EBIT | 52.5 | 31.7 | 43.1 |
| Recurring EBIT margin (%) | 13.3 | 5.4 | 11.0 |
| R&D expenditure | 11.0 | 12.2 | 13.1 |
| Capital expenditure | 52.3 | 51.0 | 38.3 |
| Capital employed, end of period | 355.5 | 346.2 | 390.1 |
| Capital employed, average | 359.9 | 353.9 | 371.5 |
| Return on Capital Employed (ROCE) (%) | 15.9 | 6.7 | 11.8 |
| Workforce, end of period | 2,909 | 2,879 | 3,035 |
| of which associates * | 1,261 | 1,232 | 1,314 |

* Ganzhou Yi Hao Umicore Industries Co. Ltd., Jiangmen Chancsun Umicore Industry Co. Ltd., Todini and Co. (Cobalt & Specialty Materials); Yamanaka Eagle Picher (Electro-Optic Materials)
Due to the reorganization of segments, historical information is only available for 2008 and 2009 for each business group.

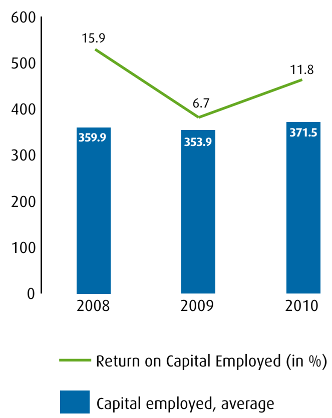
Recurring EBIT (in million €)



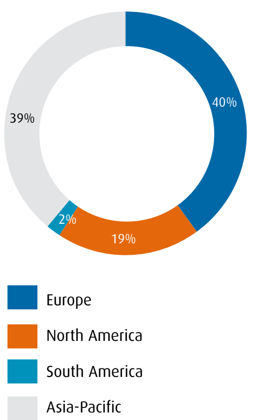

Revenues (in million €)



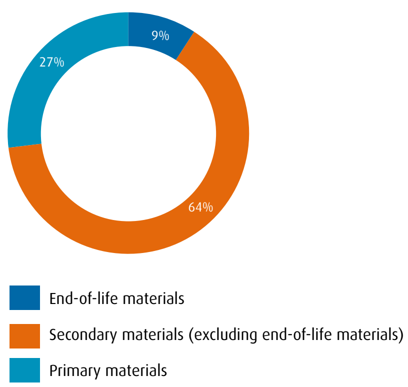

Capital employed (in million €)



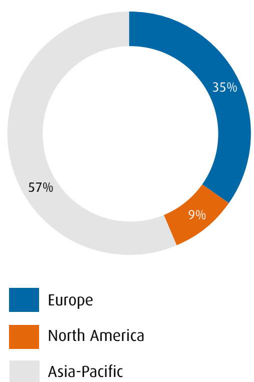

Turnover (by destination)




Resource efficiency




Workforce



Pascal Reymondet
Executive Vice-President
Performance Materials

From the roofs of Paris to computer circuit boards, our Performance Materials can be found in the most amazing places.

# Performance Materials

## Profile

Performance Materials applies its technology and know-how to the unique properties of precious and other metals, offering materials enabling its customers to develop better, more sophisticated and safer products. Its zinc products are renowned for their protective properties while its precious metals-based compounds and materials are essential for applications as diverse as high-tech glass production, electrics and electronics.

Performance Materials is organized around five business units: Zinc Chemicals, Electroplating, Platinum Engineered Materials, Technical Materials and Building Products. It also comprises a 40 % shareholding in Element Six Abrasives - a joint venture with De Beers.

Performance Materials sources 25 % of its raw materials from secondary or end-of-life materials and in the Platinum Engineered Materials and Zinc Chemicals business units “closing the loop” is a central pillar of the business strategy.

For a more detailed profile of the Performance Materials business along with information on its sustainability context please visit: www.umicore.com/en/ourBusinesses/performanceMaterials/

## Year performance and highlights

Revenues for Performance Materials grew by 10 % in 2010. The recurring EBIT doubled year on year, mainly as a result of the turnaround in Technical Materials and Umicore’s associated company Element Six Abrasives. Both organizations benefited from the combined effects of rising revenues and the cost saving measures that had been implemented in 2009. The Platinum Engineered Materials business saw stronger sales as a result of higher demand from the high-purity glass industry while Electroplating saw higher levels of orders from customers in the electronics industry. In Zinc Chemicals, a lower received zinc price impacted results negatively while the underlying level of sales evolved positively. The only business that did not perform as strongly as the previous year was Building Products where the activities felt the impact of the slow-down in the European construction sector.

Capital expenditures were at exactly the same level as in 2009 at € 23.9 million.

## Analysis overview

**Revenues**
+10%

**Most businesses showed a strong improvement**

**Building Products yet to recover**

## Business review

In Building Products revenues and earnings were down year on year due to lower sales volumes in most major European markets. Sluggish demand in the European construction sector was exacerbated by the harsh weather conditions at the beginning and end of the year. The volume effect was somewhat offset by a better product mix, with relatively more revenues coming from the higher value added products, such as pre-weathered building materials.

In Platinum Engineered Materials revenues were up year-on-year. Sales of platinum equipment used in Glass Applications continued to increase driven by higher levels of demand from customers serving the display market. Sales of products for technical and optical glass applications recovered in line with the general economy. As a result of the return to higher activity levels in the fertiliser industry in the second half, revenues from Performance Catalysts recovered.

In Technical Materials revenues were well up for all business activities and earnings benefited from the cost reduction measures implemented in 2009. Sales of Contact Materials grew in line with increased activity in the automotive and electricity distribution sectors. The Chinese operations were successful in expanding their customer portfolio and the business continued to grow in the niche application of energy saving lamps. In BrazeTec a slow recovery was seen in sales in most product areas including applications for electrical equipment, the HVACR sector and the tooling market.

In Electroplating, sales of plating solutions for technical applications benefited from a recovery of the printed circuit board and semiconductor packaging markets. Some of these, such as LEDs, are benefiting from particularly strong growth. Sales of plating solutions for decorative uses grew both in Europe and overseas, as a result of both growing end-user demand and the introduction of new products, such as rhodium-light alternatives for jewellery coatings.

In Zinc Chemicals sales volumes and revenues showed a strong progression year-on-year. Supply conditions for the recycling activities improved, particularly from the galvanizing industry. Although volumes recovered, the recycling activity was negatively impacted by a lower received zinc price. Sales volumes increased significantly for Fine Zinc Powders driven by a substantial increase in demand from Asia, mainly for protective coatings for sea containers in China. Deliveries of Zinc Oxide products were up year on year, with lower demand for ceramic applications being more than offset by sales for other applications. In Zinc Battery Materials historically high sales volumes were recorded.

In Element Six Abrasives (40 % owned by Umicore) the performance improved significantly compared to 2009. The Oil & Gas activities benefited from the global recovery in the oil and gas drilling industry in 2010. The Advanced Materials business continued to recover through the year driven by stronger demand and the benefits of the cost reduction measures taken in 2009. Diamond grit sales as well as sales of PCBN-based cutting tools for precision machining grew strongly. In Hard Materials, revenues and profitability increased to record levels, driven by an improved product mix and strong demand for carbide-based abrasives.

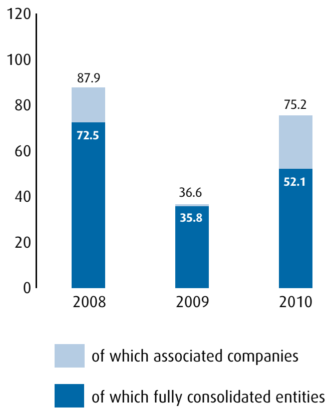
# In figures ...

(in million €)

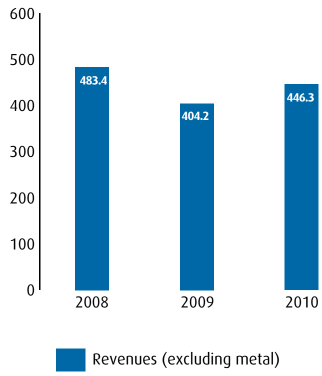
| | 2008 | 2009 | 2010 |
|---|---|---|---|
| Turnover | 1,280.2 | 899.4 | 1,296.3 |
| Revenues (excluding metal) | 483.4 | 404.2 | 446.3 |
| Recurring EBITDA | 112.4 | 61.1 | 101.3 |
| Recurring EBIT | 87.9 | 36.6 | 75.2 |
| of which associates * | 15.4 | 0.8 | 23.2 |
| Total EBIT | 49.5 | 38.5 | 78.6 |
| Recurring EBIT margin (%) | 15.0 | 8.9 | 11.7 |
| R&D expenditure | 15.7 | 11.7 | 16.0 |
| Capital expenditure | 33.5 | 23.9 | 23.9 |
| Capital employed, end of period | 548.6 | 534.1 | 612.5 |
| Capital employed, average | 590.2 | 533.8 | 589.7 |
| Return on Capital Employed (ROCE) (%) | 14.9 | 6.9 | 12.8 |
| Workforce, end of period | 7,037 | 5,687 | 6,121 |
| of which associates * | 3,801 | 2,888 | 3,244 |

* Rezinal (Zinc Chemicals); Ieqsa (Building Products); Element Six Abrasives
Due to the reorganization of segments, historical information is only available for 2008 and 2009 for each business group.

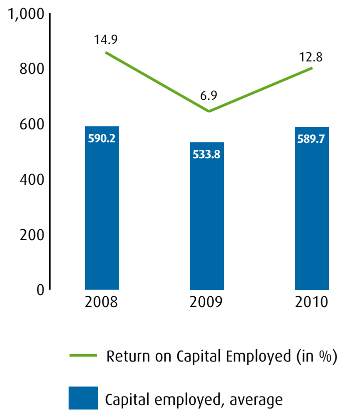
Recurring EBIT (in million €)



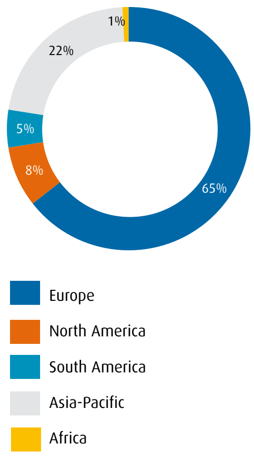

Revenues (in million €)



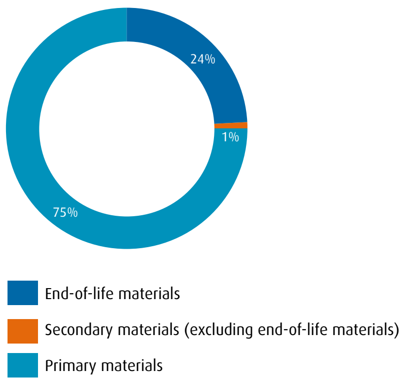

Capital employed (in million €)



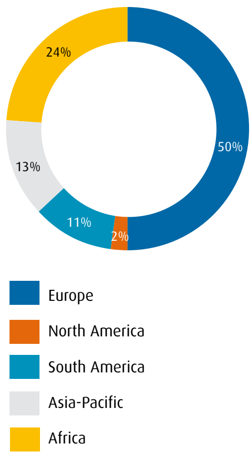

Turnover (by destination)




Resource efficiency




Workforce



Since ancient times metals have been at the heart of human progress. In Recycling we recover some twenty metals including gold and platinum.

Hugo Morel
Executive Vice-President
Recycling

# Recycling

## Profile

Recycling treats complex waste streams containing precious and other non-ferrous metals. The operations can recover some 20 of these metals from a wide range of input materials ranging from industrial residues to end-of-life materials. Recycling is unique in the range of materials it is able to recycle and the flexibility of its operations. Input materials, which are sourced from a truly global supply base, come predominantly from secondary sources.

The business group is divided into four business units: Precious Metals Refining, Battery Recycling, Jewellery & Industrial Metals and Precious Metals Management.

The business group's resource efficiency (use of recycled plus secondary sources) amounts to 80 %. The operations offer the ultimate example of closing the materials loop and of using the infinite recyclable properties of metals to the maximum.

For a more detailed profile of the Recycling business along with information on its sustainability context please visit: www.umicore.com/en/ourBusinesses/recycling/

## Year performance and highlights

Recycling revenues were up by 19 % while recurring EBIT was up 66 % compared to 2009. Return on capital employed reached an outstanding level of close to 65 %. The main driver for these excellent results was the further improvement in the supply environment for the Precious Metals Refining operations. These improvements were felt in both key supply categories industrial residues and end-of-life materials. Improvements were also recorded in the Precious Metals Management and Jewellery & Industrial Metals activities. In Battery Recycling further strides were taken in the development of the business with good progress made on the new UHT facility in Hoboken and further supply agreements secured with key players in the automotive and rechargeable battery industries.

Capital expenditures remained at a comparatively high level for the business as a result of the on-going investments in the UHT recycling facility in Hoboken.

## Analysis overview

**Outstanding ROCE of 65%**

**UHT investment on track**

**Strong supply conditions**

**EBIT up 66%**

## Business review

In Precious Metals Refining the performance was outstanding, driven primarily by a buoyant supply environment. Supply of residues from the non-ferrous refining and mining industry was strong throughout the year. Umicore was also successful in further diversifying its supply base by sourcing new residue streams and further expanding the geographical spread of input materials. Arrivals of end-of-life materials increased by more than 30 % in volume terms. Electronic scrap availability remained at high levels, while industrial catalyst supply increased throughout the year. As a result of the uplift in pgm prices and the effect of car scrapping schemes, arrivals of spent automotive catalysts were well up year-on-year. Rising metal prices contributed to the strong performance while the business model and strict working capital management meant that average capital employed increased only slightly. This was the case for precious metals and several specialty metals such as selenium, indium, nickel and ruthenium. Although spot metal prices continued to rise for a number of these metals during the second half of the year, these only contributed partially to the unit's result as Umicore had already secured a significant portion of the metal price component in its earnings and cash flows through longer term contracts. The business continued to enter into such contracts, which by the end of 2010 covered a large part of the contracts for 2011 and extended into 2012 and to a lesser extent 2013. This is primarily the case for gold, silver, platinum and palladium.

Precious Metals Management recorded a strong performance. Most industrial sectors showed a significant demand improvement for physical precious metals, leading to increased activity levels in physical sales, purchases and leases. Increased price volatility on the metal markets as well as overall higher prices also contributed to the improved performance. Sales of silver investor bars increased substantially compared to 2009 while gold ingot sales remained at high levels albeit somewhat lower than the record levels seen in 2009.

The construction of the new Battery Recycling plant in Hoboken progressed according to plan. Deliveries of spent rechargeable batteries from portable electronics continued to grow and arrivals of scrap from lithium-ion battery manufacturers also increased. Umicore intensified its collaboration with car manufacturers, research institutes and battery producers on the further development and optimisation of collection and recycling processes for (Hybrid) Electric Vehicle ((H)EV) batteries. A battery dismantling centre for these larger types of batteries, which was built within this framework, became operational during the year in Hanau, Germany.

In Jewellery & Industrial Metals, revenues continued to grow during the year in the unit's main markets of Europe and Asia. The recycling operations performed at a historically high level, driven by high demand for gold recycling and increased intake of scrap from various industries. Demand for global brands in the luxury part of the jewellery and lifestyle goods business was strong. This had a particularly positive impact on sales of platinum-based products in Umicore's Jewellery business line. Sales of products for the fashion jewellery market, however, were more subdued. The market for silver-based Industrial Metals improved as well, mainly for chemical catalysis applications, machined coatings and specialty products for precision applications. Overall deliveries of coin blanks were lower than in 2009 but remained on a higher level than the historical average.

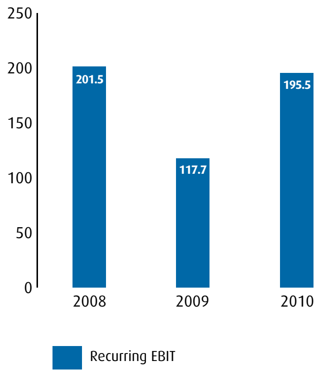
# In figures ...

(in million €)

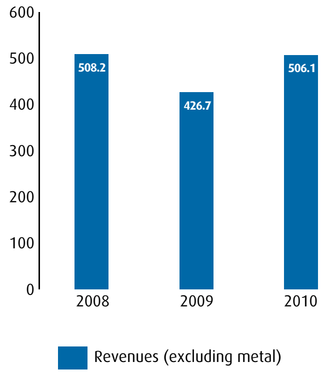
| | 2008 | 2009 | 2010 |
|---|---|---|---|
| Turnover | 4,788.0 | 4,323.0 | 6,120.9 |
| Revenues (excluding metal) | 508.2 | 426.7 | 506.1 |
| Recurring EBITDA | 237.0 | 158.2 | 236.7 |
| Recurring EBIT | 201.5 | 117.7 | 195.5 |
| Total EBIT | 198.6 | 109.8 | 182.2 |
| Recurring EBIT margin (%) | 39.7 | 27.6 | 38.6 |
| R&D expenditure | 5.1 | 8.9 | 6.0 |
| Capital expenditure | 66.1 | 54.9 | 50.3 |
| Capital employed, end of period | 319.1 | 273.8 | 421.0 |
| Capital employed, average | 274.2 | 288.6 | 301.8 |
| Return on Capital Employed (ROCE) (%) | 73.5 | 40.8 | 64.8 |
| Workforce, end of period | 2,193 | 2,162 | 2,168 |

Due to the reorganization of segments, historical information is only available for 2008 and 2009 for each business group.

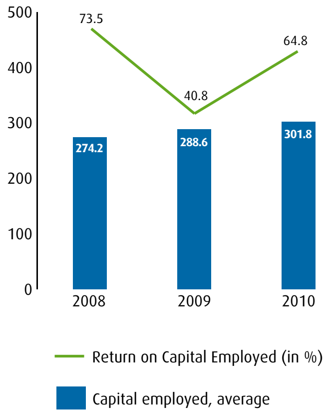
Recurring EBIT (in million €)



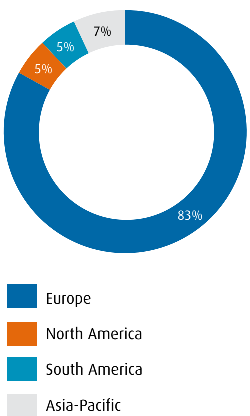

Revenues (in million €)



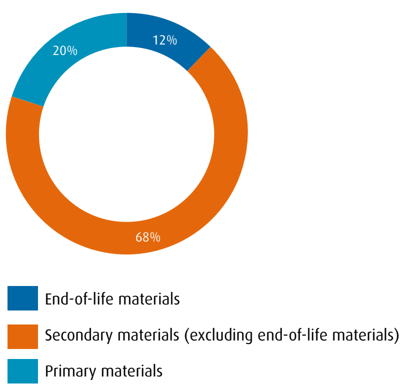

Capital employed (in million €)



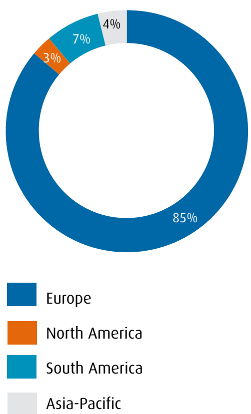

Turnover (by destination, excluding Precious Metals Management)




Resource efficiency




Workforce



# Environmental report

Environmental performance covers many aspects. From resource efficiency, emission reduction and waste management all the way to research into the product life-cycle.

# We live together

## ...the Umicore way

In 2000, Umicore adopted five-year objectives to improve its environmental performance, acknowledging that success must also take into account the broader environmental impact of its operations and products, as well as the needs of future generations. These objectives - along with a parallel set of social targets introduced in 2005 - constitute the cornerstone of Umicore's sustainable development approach. Every year, based on a set of performance indicators, the progress made in achieving these targets is analysed, reported and acted upon.

In 2004, Umicore laid out the principles of its pursuit of sustainable development in "The Umicore Way", a beacon guiding the Group on the road to a sustainable future.

Management of emissions - both of metals and greenhouse gases - is a major part of Umicore's environmental stewardship efforts.

# Group Environmental Performance Analysis

## Scope

This chapter offers an evaluation of Umicore's environmental performance for 2010 in comparison with 2009. The analysis focuses on the material environmental aspects most of which form the basis of the Group environmental objectives for the period 2006-2010 (see pages 45-49).

Only data from consolidated manufacturing sites where Umicore has operational control are included in this report. In addition, the two main office buildings (Brussels and Bagnolet) report their energy consumption. The total number of reporting sites in 2010 was 66.

Within the scope of Umicore's reporting framework, the majority of the sites reported their environmental performance at the end of the third quarter together with a forecast for the fourth quarter.

The four sites with the largest environmental impact (based upon the indicators for metal emission, energy consumption and greenhouse gas emissions) reported their full-year figures. For 2010 these were the sites in Hoboken, Changsha, Hanau and Olen. A sensitivity analysis undertaken in 2010 for two indicators (metal emissions to water and energy consumption) indicated that the potential deviation of the total environmental performance would be less than 2 % in case of a 20 % error in forecasted data.

Umicore uses a central environmental database for all sites to report their data, thereby ensuring a consistent interpretation of definitions of the key indicators.

More details on Umicore's environmental management approach are available at http://www.umicore.com/sustainability/environment/Approach/. The key performance data are summarized in the table on page 43. Due to improved data processing and more accurate sampling at some sites, some performance data for 2009 have been subject to minor adjustments.

### Resource efficiency and recycling

Recycling of metals-containing materials is at the core of Umicore's business. In order to quantify this aspect, the company reports on its 'resource-efficiency and recycling capabilities'; each business unit is required to identify the origin of its incoming materials using the following definitions:

- Primary materials: materials that are being used for the first time. These materials are mainly ores and concentrates.

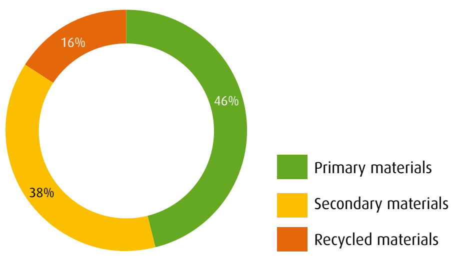
- Secondary materials: by-products of primary material streams.

- Recycled materials: materials that have ended their first life cycle and will be re-processed through recycling, thereby entering a 2nd, 3rd ...life.

Incoming materials are regarded as primary by default if their origin is unknown. The collected data are expressed in terms of total tonnage of incoming material. In 2010, 46 % of Umicore's incoming materials were of primary origin, compared to 41 % in 2009. 54 % of the materials were from recycling or secondary origin compared to 59 % in 2009 (figure 1).

FIGURE 1

Input materials Umicore (in %)



## Water consumption

Total water consumption covers the use of water for process and sanitary purposes. Total water consumption slightly decreased from 4,670,000 m³ in 2009 to 4,617,000 m³ in 2010, representing a decrease of about 1.5 % which was achieved despite higher activity levels.

Higher production rates explained the slight increase of the water consumption in the business segments Catalysis and Performance Materials.

The shut down of the old power station and the start of the combined heat power cogeneration installation at the Olen site (Cobalt & Specialty Materials, Electro-Optic Materials) resulted in reduced water consumption despite higher production rates.

Because of high rainfall during the summer less water sprinkling was required at the Hoboken site (Precious Metal Refining).

## Energy consumption

In order to provide a detailed picture of Umicore's energy consumption, information is collected on all relevant energy carriers. This includes data on purchased electricity, heavy fuel, gasoil, natural gas, liquefied propane gas (LPG), coal as well as data on the energy content of purchased compressed air and steam. The two main office buildings (Brussels and Bagnolet) also reported their energy consumption. Energy data for some sites include consumption both for own use and for third parties. For example the sites in Olen (Cobalt & Specialty Materials and Electro-Optic Materials) and Eijsden (Zinc Chemicals) both supply energy to companies at neighouring sites.

In 2010, total energy consumption of the production sites stood at 7,577 terajoules, up from 7,293 terajoules in 2009. This represents an overall increase of 4 %. The total energy consumption of the office buildings was 10 terajoules.

The main energy consumption increase was recorded in the business segment Performance Materials driven by increased zinc production volumes.

The increase in the business segment Energy Materials is mainly due to the new activities in Jiangmen (Cobalt & Specialty Materials) and Quapaw (Electro-Optic Materials).

The Hoboken site (Precious Metal Refining) was able to reduce its energy consumption due to lower volumes of coal use in the process. However, the overall increase in energy consumption for the business segment Recycling is due to increased activities in many of its sites and the new activity in Foshan (Jewellery & Industrial Metals).

Indirect energy consumption by primary energy source (purchased electricity, steam and compressed air) for both production sites and office buildings was 2,743 terajoules. Direct energy consumption by primary energy source (fuel, gas, oil, natural gas, LPG, coals and cokes) was 4,844 terajoules.

## Waste

Each Umicore site is required to report separately volumes of hazardous and non-hazardous waste as defined by local legislation. The figures below do not include the excavated contaminated soil from the various rehabilitation projects. The generation of hazardous waste increased from 34,555 tonnes in 2009 to 38,533 tonnes in 2010 (figure 4). Total waste volumes increased from 54,300 to 64,191 tonnes.

FIGURE 2

### Water consumption (1,000 m³)

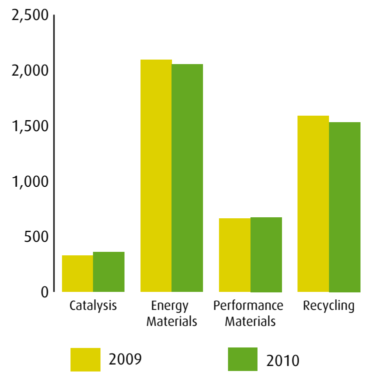



FIGURE 3

### Energy consumption (in TJ)

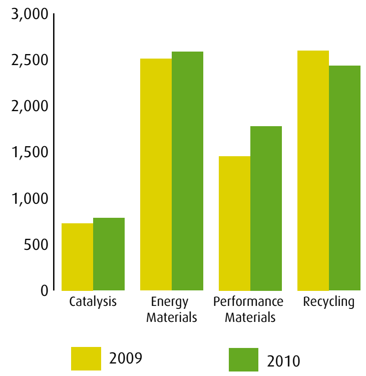
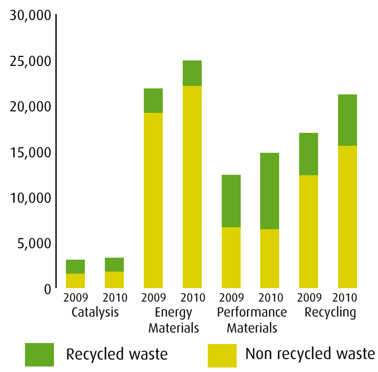



FIGURE 4

### Total waste produced (in tonnes)



The business segments Catalysis and Performance Materials reported higher volumes of generated hazardous waste because of higher production volumes. The use of certain raw materials containing magnesium led to increased output of wastewater sludge in Olen (Cobalt & specialty Materials).

The site in Hoboken (Precious Metal Refining) increased its hazardous waste volume due to an increased volume of flue dust generation and poor wastewater treatment cakes.

The total recycling rate of hazardous waste for the Group stood at 7.75 %, up from 6.47 % in 2009. The reason for this increase is the increased recycled volumes of tar coal at the site in Changsha (Zinc Chemicals).

Volumes of non-hazardous waste increased from 19,745 tonnes in 2009 to 25,658 tonnes in 2010 mainly due an increased volume of sinters at the Eijsden site (Zinc Chemicals) and increased volumes of wood and iron scrap at the site in Hoboken (Precious Metal Recycling).

A total of 59 % of the non-hazardous waste was recycled in 2010, compared with 62 % in 2009.

## Emissions to water and air

The performance data for the 'metal emission to water and air' indicators are mainly obtained via compliance monitoring.

### Emissions to surface water

A total of 6,440 kg of metal emissions to water was recorded in 2010, compared to 5,389 kg in 2009 (figure 5).

All process water emissions are treated in Umicore's own or third party waste water treatment plants and are ultimately emitted to surface water bodies.

Metal to water emissions decreased in the business segment Energy Materials due to an additional decantation step in the waste water treatment plant in Olen (Cobalt & Specialty Materials and Electro-Optic Materials).

In the business segment Performance Materials increased metal emissions to water were reported in Changsha (Zinc Chemicals) due to higher production rates while the site in Angleur (Zinc Chemicals) implemented a more accurate sampling method. To ensure accurate emission data, the site in Auby (Building Products) implemented during 2010 an extensive monitoring programme (see '2009 Annual Report to Shareholders and Society', page 41).

The increased emission of metals to water in the business segment Recycling was due to an increased production of selenium and the crushing of selenium tellurium slag.

In 2010 a total of 258,309 kg of "chemical oxygen demand" (COD) was discharged (data not presented in overview table) compared to 235,266 kg in 2009.

### Emissions to air

In 2010, total metal emissions to air amounted to 11,068 kg, up from 10,374 kg the year before (figure 6), an increase of 7 %.

The business segment Energy Materials noted a decrease mainly related to the low activity of the older production lines in Cheonan (Cobalt & Specialty Materials).

FIGURE 5

Metals emitted to water (in kg)

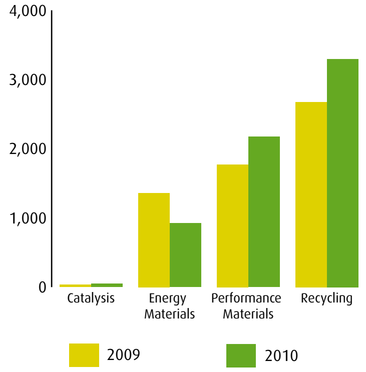



FIGURE 6

Metals emitted to air (in kg)

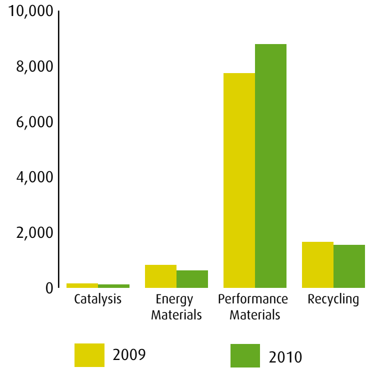
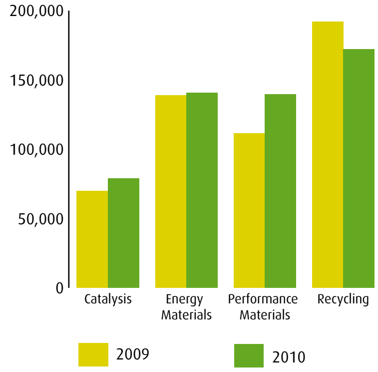



FIGURE 7

$CO_2$ emissions (in tonnes)



Higher volumes of metals to air emissions in the business segment Performance Materials are explained by increased production volumes at the sites in Changsha and Tottenham. In addition, a more accurate sampling method at the site in Heusden-Zolder and a leakage in the filter bags in Pasir Judang Johor also led to higher emissions of metals to air. The site in Sancoale was able to reduce its emissions to air due to a better control of the manufacturing process (all sites part of Zinc Chemicals).

The site in Bangkok (Jewellery & Industrial Metals) reported a reduction of metal emissions to air due to a change in the mix of incoming materials.

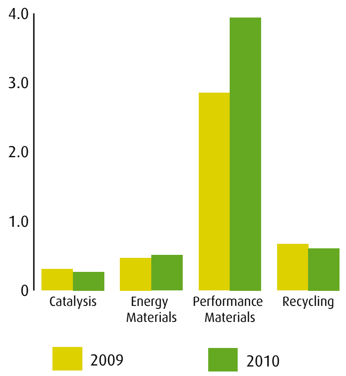
The $SO_x$ emissions to air increased from 408 tonnes in 2009 to 468 tonnes in 2010. $NO_x$ emissions increased from 369 tonnes to 426 tonnes in 2010 (see overview table).

Due to different interpretations of the volatile organic compound (VOC) definition at some of the sites, a global performance figure cannot be reported. However, the business segment Catalysis has assessed its VOC emissions based upon volumes used of raw materials. The total emitted VOC expressed in carbon content for 2010 is 34,894 kg compared to 24,670 kg in 2009. This increase is caused due to a change in the technology portfolio.

Sites are required to report on their emissions of ozone depleting substances (ODS). The overall figure is minimal and therefore the substance is deemed to be non-material for the company. All sites reported that the type of refrigerant in air-conditioning units is in line with local legislation.

FIGURE 8

Compliance excess rate (in %)




## Greenhouse gases

The greenhouse gas data relate to reported emissions from production sites associated with both scope 1 (direct greenhouse gas emissions) and scope 2 (indirect emissions from purchased electricity, steam and compressed air), following the Greenhouse Gas Protocol for electricity, the 2003 Belgian EPI (internal company study) and conversion factors received from the energy suppliers. Umicore will be reviewing these factors in the context of its carbon footprint reduction Group objective on (see pages 9-11). Total $CO_2$ emissions in 2010 from manufacturing sites were 531,279 tonnes, up from 511,783 tonnes in 2009 (figure 7), an increase of 4 %, or less than the increase in production volumes. In addition, the $CO_2$ emissions from the office buildings were 546 tonnes.

Several sites managed to reduce $CO_2$ emissions as a result of specific actions. Beside a more stable production process in 2010 compared to 2009, the site in Rheinfelden (Catalysis) also switched its heating from steam to natural gas. The site in Burlington (Catalysis) carried out some process upgrades and installation of energy-efficient equipment thereby lowering the energy per unit produced.

At the end of 2009, the site in Olen (Cobalt & Specialty Materials, Electro-Optic Materials) started a new plant for combined heat power cogeneration which reduces the greenhouse gas emissions compared to the resulting emissions from the old power station. Despite increased production volumes, total greenhouse gas emissions for the site decreased by 9 % from 93,901 tonnes in 2009 to 85,589 tonnes in 2010.

The reduction for the business segment Recycling is due to the lower volumes of coals used in the production process at the Hoboken site.

Emissions of $CH_4$ amounted to 23.10 tonnes $CO_2$ equivalent; $N_2O$ emissions amounted to 11,368 tonnes $CO_2$ equivalent. The total global warming potential (based on the three relevant greenhouse gases: $CO_2$, $CH_4$ and $N_2O$) increased from 529,628 tonnes $CO_2$ equivalent in 2009 to 543,216 tonnes $CO_2$ equivalent in 2010.

## Regulatory compliance

In 2010, around 61,500 environmental measurements were carried out at all of Umicore's industrial sites compared to some 58,000 the year before. These measurements are undertaken to verify environmental compliance with applicable regulatory requirements, permits and/or local standards. They typically include waste water sampling and ambient air monitoring as well as environmental noise measurements. The proportion of measurements that did not meet the regulatory or permit requirements was 1.43 % compared to 1.05 % in 2009.

| Business segment | | Catalysis | | Energy Materials | | Performance Materials | | Recycling | | Umicore Group | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 |
| Water consumption | 1,000 m³ | 2,093 | 2,054 | 327 | 359 | 1,587 | 1,531 | 662 | 673 | 4,670 | 4,617 |
| Energy consumption | terajoules | 2,506 | 2,582 | 728 | 784 | 2,596 | 2,432 | 1,454 | 1,779 | 7,284 | 7,577 |
| Total waste produced | tonnes | 21,830 | 24,928 | 3,115 | 3,292 | 16,985 | 21,168 | 12,370 | 14,803 | 54,300 | 64,191 |
| Hazardous waste | tonnes | 16,529 | 17,207 | 961 | 1,236 | 12,679 | 15,767 | 4,386 | 4,323 | 34,555 | 38,533 |
| Recycling | % | 3.10 | 4.09 | 21.69 | 46.68 | 7.85 | 6.45 | 11.84 | 15.91 | 6.47 | 7.75 |
| Non hazardous waste | tonnes | 5,301 | 7,721 | 2,155 | 2,056 | 4,306 | 5,401 | 7,983 | 10,481 | 19,745 | 25,658 |
| Recycling | % | 40.46 | 26.77 | 61.09 | 45.84 | 84.18 | 84.48 | 65.28 | 72.96 | 62.28 | 59.31 |
| Metals to water | kg | 1,360 | 922 | 33 | 48 | 2,673 | 3,296 | 1,773 | 2,174 | 5,839 | 6,440 |
| Metals to air | kg | 825 | 627 | 151 | 121 | 1,657 | 1,538 | 7,741 | 8,781 | 10,374 | 11,068 |
| SOx emissions | tonnes | 18 | 7 | 2 | 2 | 328 | 315 | 61 | 145 | 408 | 468 |
| NOx emissions | tonnes | 118 | 111 | 72 | 129 | 150 | 117 | 30 | 69 | 369 | 426 |
| CO2 emissions | tonnes | 138,771 | 140,734 | 69,921 | 78,816 | 191,794 | 172,124 | 111,296 | 139,605 | 511,783 | 531,279 |
| Compliance excess rate | % | 0.47 | 0.51 | 0.31 | 0.27 | 0.67 | 0.61 | 2.85 | 3.94 | 1.05 | 1.43 |

The business segment Performance Materials had a higher number of non compliant readings because of higher temperatures of the emitted cooling water at the site in Angleur (Zinc Chemicals) and higher volumes of emitted water at the site in Viviez (Building Products). The site in Glens Falls (Technical Materials) noted an increased number of readings for its water emissions that exceeded the set limit. At this site, a new waste water treatment plant will become operational in the first quarter of 2011.

### Biodiversity

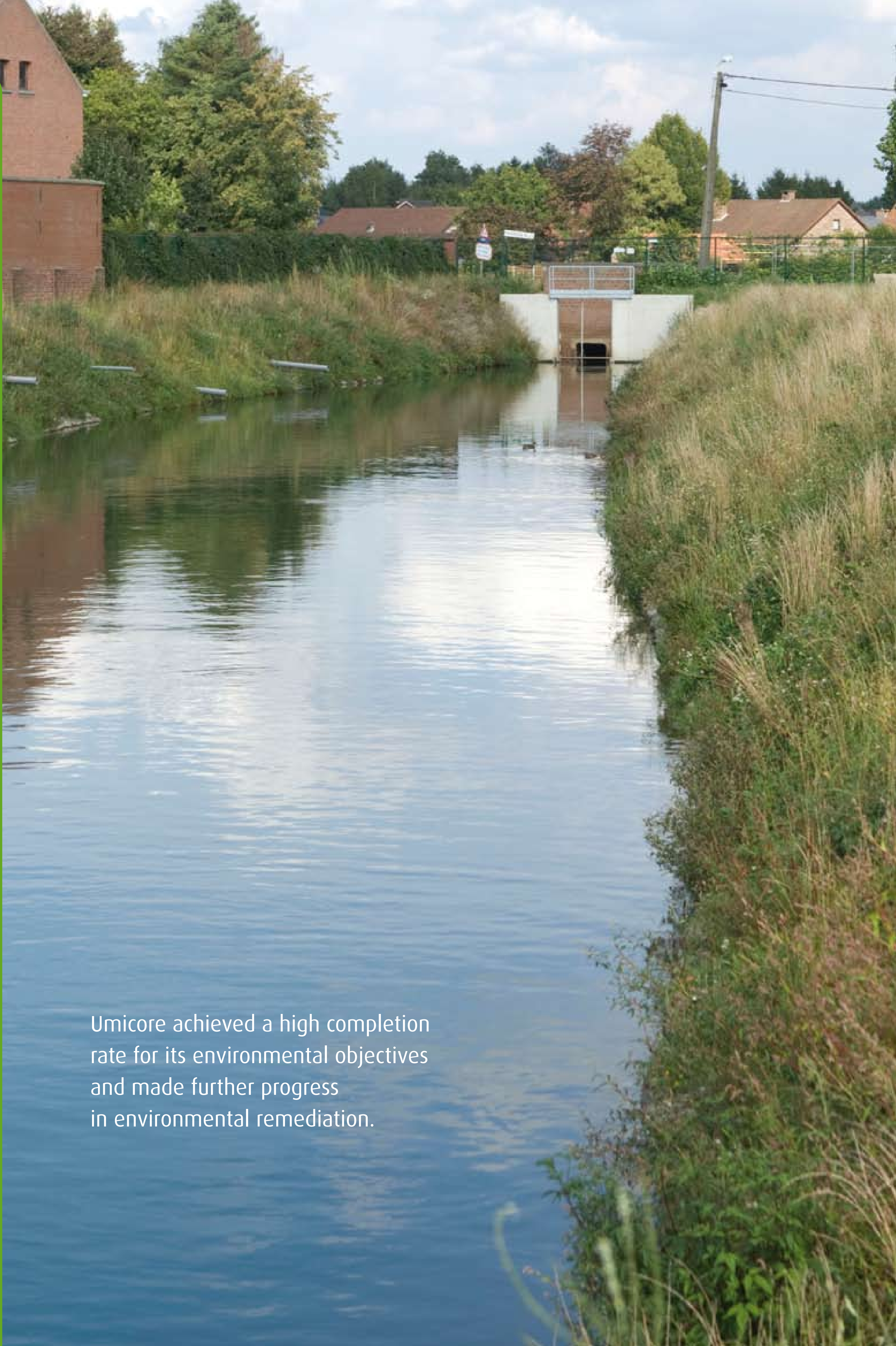
The company believes that its current activities have little adverse impact on the biodiversity of the environment in which its sites are operating. The historical contamination caused by past activities is dealt with through specific soil and groundwater remediation projects (see pages 50-51).

Eight sites reported that they are operating close to a classified biodiversity sensitive area while two sites reported that they were biodiversity sensitive on the basis of their environmental impact assessment. This situation is unchanged compared to 2009.

Umicore's policy includes performing a detailed environmental impact assessment as part of all major investments, acquisitions and transfers of land.

## Overall conclusions

In 2010, Umicore's environmental impact slightly increased compared to 2009. While the higher production levels linked to improved economic conditions played the most significant role in this increase, the environmental impact was still significantly lower compared to pre-downturn levels with similar levels of production and revenue generation (see Annual Report to Shareholders and Society, 2007 & 2008). This indicates that Umicore was able at many of its sites to implement sustainable measures to reduce its environmental impact per unit of operational output.



Umicore achieved a high completion rate for its environmental objectives and made further progress in environmental remediation.

# Group Environmental Objectives 2006-2010

## Scope

2010 marked the end of the five-year cycle of environmental and social objectives which began in 2006. A new set of objectives has been defined for the subsequent five-year period 2011 – 2015, which are introduced on pages 8-11.

All of Umicore's objectives were aligned with the overarching business philosophy as described in 'The Umicore Way' and reflect the company's commitment to further its sustainable development approach. This section presents the final status achieved in 2010 for the five environmental objectives and summarizes the achievement over the five year period. The status of the social objectives is presented on pages 61-67. A summary of the achievement of all objectives can also be found on pages 74-75.

The environmental objectives promote continual improvement in the company's performance on those environmental aspects that are considered particularly relevant to the Group. Since these objectives build upon the performance achieved during previous years, they offer the sites the flexibility to contribute at their own pace to the overall targets. As such, they complement the actions already undertaken by many sites as part of their environmental management.

To ensure adequate progress and a good understanding of the objectives, Corporate EHS organizes annual workshops in different regions to discuss action plans, review the annual progress made and ensure that best practices are shared among site environmental managers.

This summary is based on information collected using the Group's on-line environmental data management system. The external verifier ERM Certification and Verification Services Limited (ERM CVS) evaluated the reports submitted by the sites and reviewed the data during the nine on-site data verification audits carried out as part of its overall data verification process. Umicore adopted the same approach during three self-assessments.

In total, 64 industrial sites and two main office buildings are included in the scope of this review bringing the total to 66 sites. This is one site more than in 2009, due to the addition of the sites in Jiangmen (Cobalt & Specialty Materials) and Foshan (Jewellery & Industrial Metals) and the closure of the site in Nürnberg (Building Products).

Objectives 1, 2 and 3 apply to all 64 industrial sites, whereas objective 4 on energy efficiency also includes the two main office buildings (Brussels and Bagnolet). Objective 5 on product safety is reported at business unit level.

In the graphs, the status is reported as a percentage of the total number of sites indicating respectively whether the objectives have been met, the actions are ongoing or have yet to start.

- objective met : all the requirements related to the objective are met

- actions ongoing: actions have been launched related to one of the targets

- actions yet to start: no actions haven been undertaken on any of the elements related to the objective

## OBJECTIVE 1

All industrial sites are to implement improvement plans based on BAT (best available techniques balancing the costs to the operator against the benefits to the environment) for all types of point sources to air and water from process operations. For all the sites with metal emissions to air and water above 1 tonne/year, a numerical target is required. Where relevant, industrial sites must demonstrate continual improvement in the control of diffuse sources.

Status

91% completed

The aim of this objective is to establish a systematic approach to emission management at all sites, taking into account social and economic challenges.

At the end of 2010, 91 % of the sites had implemented a plan that fulfilled all the requirements of the objective to further control and manage their relevant emissions both to air and water, compared to 86 % in 2009. A further 6 % of the sites are in the process of implementing such a plan (figure 6) while 3 % still need to start. These sites are those that were acquired after the start of the objective cycle in 2006 and therefore had less time to develop their emission plans.

Improvement plans for air emissions have been implemented at 92 % of the sites compared to 90 % last year. Ninety-one percent of sites already have an improvement plan in place for water emissions, compared to 90 % in 2009 (figure 1).

Besides the necessary tools that are in place to ensure regulatory compliance, many sites have plans in place to regularly review the inventory of their emission points, to follow-up newest technology and to develop more accurate air and water sampling programmes, for example. These plans allow the sites to identify potential actions to further improve the control of their emissions to the environment. These plans are often integrated in the environmental management system at the site.

Besides emissions from point sources such as chimneys and exhaust systems, some sites also have diffuse emissions to air; these might, for example, result from dust from the open-air storage of materials. In total, 24 sites reported that diffuse sources are relevant to their specific situations, compared to 20 in 2009. This increase is due to a more detailed analysis at the sites in Bruges and Subic (Cobalt & Specialty Materials) and Overpelt (Zinc Chemicals) and the full deployment of a new activity at the site in Maxton (Precious Metal Refining). Of the 24 sites, 16 already have control programmes in place. In 6 cases the programme is still under development and the new site in Sancoale, India (Zinc Chemicals) had yet to start its programme. The programmes put in place include measures such as regular cleaning and sprinkling of roads, improved techniques for ventilating buildings and the coverage of bulk materials stored outside.

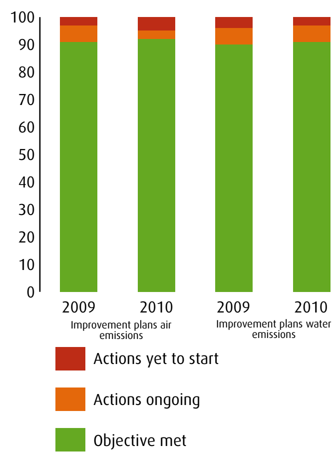
Fifteen sites have set quantitative reduction targets for emissions to air which include the four sites that have emission loads exceeding 1 tonne of metal as defined in the objective. Similarly, 15 sites defined reduction targets to water whereas only three sites exceed the 1 tonne threshold.

It has proven impossible to aggregate very diverse numerical targets (absolute reduction targets, targets per unit production, targets expressed as a concentration unit, etc.), at Group level.

In conclusion it can be stated that a large majority of the sites have put a systematic emission reduction plan in place. Those sites that are still implementing such plans are sites where activities started after the start of this objective cycle in 2006 and therefore need more time to develop their plans. This objective has clearly created a level playing field across all the sites on an environmental aspect that is of key importance to the company. It also lays the foundations for further quantifiable emission improvements. To that end, Umicore has formulated a numerical target for the next five years to decrease its metal emission to air and water by 20 % (see pages 9-11).

FIGURE 1

### Improvement plans emissions to air and water
(in % of total number of sites)



## 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.

Status

88% completed

Umicore believes that the installation and maintenance of a certified environmental management system is a strong driver for continual improvement of the sites' environmental performance. Also, there is increasing recognition by regulators, customers, shareholders, NGOs and the public at large, that standardized environmental management systems are part of good business and management practices.

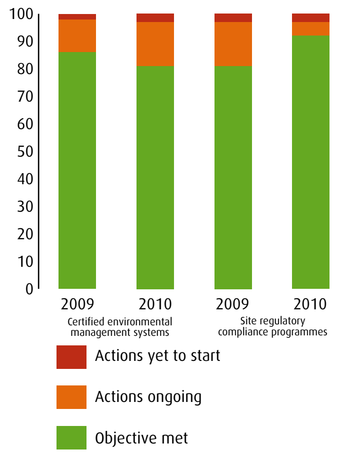
Six sites are exempt from implementing a certified management system. This is based on a strict procedure that confirms that the sites in question have no significant environmental impacts and would therefore not benefit substantially from installing such a system.

In 2010, 86 % of the remaining 58 industrial sites had put in place an environmental management system certified against ISO 14001. Another 12 % are still engaged in the implementation process while one site still needs to start the implementation of its environmental management system. The reason for this delay is that these sites were acquired by Umicore after the start of the objectives in 2006. All major sites with significant environmental impact have already been ISO 14001 certified for many years.

Ninety-two percent of all industrial sites have an internal programme in place to systematically check and implement new regulatory requirements, compared to 81 % the previous year (figure 2). Internal audits form the cornerstone of these programmes. Follow-up of relevant new or upcoming environmental regulations is often supported by subscriptions to on-line issue trackers and newsletters and membership of sector federations.

In summary, the implementation of an externally certified environmental management system has been an excellent driver for all sites to review and update their environmental aspects and impacts in a more systematic fashion. The ISO 14001 certification has become a standard requirement in the Group environmental management system and therefore no longer appears as a specific objective for the period 2011-2015.

FIGURE 2
Environmental management systems and regulatory compliances programmes
(in % of total number of sites)




## 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 action should be initiated by the end of 2010.

Status

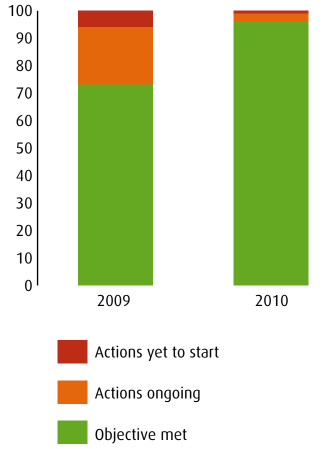
96% completed

The 'Umicore Way' clearly states that the company "actively participates in the management and remediation of risks that are the result of historical operations". This objective was designed to improve the understanding of the historic risks of existing sites and minimize environmental risk and impact and the associated financial risks.

This commitment already resulted in risk and impact assessment projects as well as remedial actions at major sites in several regions of the world (see page 50-51). It is Umicore's policy to include soil and groundwater investigations as part of every due diligence process associated with any acquisition project.

FIGURE 3

Impact assessment plans soil & groundwater
(in % of total number of sites)




At the end of 2010, 96 % of the sites had already implemented an assessment programme in line with the requirements of the objective compared to 73 % in 2009. The sites in Auby and Gätterstadt (both in Building Products) will finalize their impact assessments in 2011. Together with external experts, Umicore evaluates the soil and groundwater investigations to assess whether additional remediation projects need to be implemented.

Umicore's objective for assessing soil and groundwater contamination has made significant progress over the past five years. It has led to a complete inventory of soil and groundwater conditions of all the sites while requiring the sites at the same time to take measures in case of significant spills and/or contamination. This requirement is now part of the Group environmental management system as a standard and will therefore not constitute a separate objective in the next cycle.

## OBJECTIVE 4

All sites (including office buildings) must have an approved and implemented energy efficiency plan. For sites with an energy consumption of more than 75,000 gigajoules per year, a numerical target based upon BAT ("best available techniques balancing the costs to the operator against the benefits to the environment") is required.

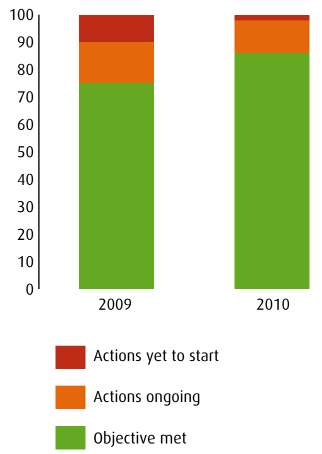
Status

86% completed

The scope of this objective includes all industrial sites as well as the two main office buildings in Brussels and Bagnolet (Paris). Eighty-six percent of the sites now have an energy efficiency plan in place compared to 75 % in 2009. A further 12 % of the sites are implementing such a plan (figure 4). Only the site in Foshan (Jewellery & Industrial Metals) needs to start implementing its energy efficiency plan since it only started production in 2008.

FIGURE 4

Energy efficiency plans
(in % of total number of sites)




Key elements of these plans range from energy audits to a detailed analysis of energy consumption, the identification of the important energy consumers at site level, the identification of a relevant output measure, process optimization, integration of energy efficiency in construction projects and follow-up of the best available technology to more simple measures such as energy-efficient lighting and staff awareness programmes.

Twenty-two sites have set a numerical reduction target in terms of energy efficiency while only seventeen sites had an energy consumption exceeding 75,000 gigajoules (ref. 2006). These targets use different 'measures of output' (e.g. energy use per piece or energy use per tonne of production) relevant to the type of activity and are followed up at site level. While the company has evaluated the possibility to define a unique 'unit of operation' per business segment, the difference in the types of activities across the Group make this impossible.

In conclusion, the implementation of energy efficiency plans at all sites has proven to be complex for certain industrial operations. In a number of cases it has proven challenging to establish a detailed assessment of energy consumption and, more importantly, to develop the necessary actions aimed at improving their energy efficiency. For many smaller sites, this objective has clearly raised the awareness on the importance of energy efficiency. As is the case for metal emissions, Vision 2015 objectives include a stretched, quantified improvement target.

## OBJECTIVE 5

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

Status

30% completed

Umicore's integrated product data system allows for the publication of up-to-date and compliant material safety data sheets (MSDS) for all its products.

At the end of 2010, more than 2,500 products had been validated in IPDS (Integrated Product Data System). More than 350 are in the preparatory phase for transfer from other MSDS systems into IPDS. The database has over 260,000 MSDS sheets available, covering 110 countries and 41 languages.

This objective aims to further improve hazard communication by enhancing our knowledge about the physical, chemical and toxicological properties of the products beyond the information that is already taken into account in the current MSDS sheets.

Around 830 datasets are required for substances falling within the scope of this objective. For 30 % of these substances, a complete data set is available. Datasets are actively being developed for 67 % of the substances. For 3 % of the substances in the scope it has not yet been possible to start the active development of missing data, mainly because of the timing in consortia to develop data sets in the context of REACH.

For those substances purchased on the market, information will become available within the timelines set by REACH. These timelines will extend the status of 'under active development' beyond the 2010 deadline.

The coming into force of the REACH regulation in 2007 has certainly interfered with the implementation of this objective for many business units. Furthermore, it became clear in the course of the past five years that the technical aspects of this objective (scope, definitions etc) needed to be updated as more information on specific situations became available. Umicore will continue to develop basic EHS datasets as part of its product objective beyond 2010. In addition, the company has set an additional product-related objective to demonstrate the sustainability of its product offering which is at the core of product differentiation and competitive advantage for specific applications.

FIGURE 5

### Additional products data sets
(in % of total number of data sets)

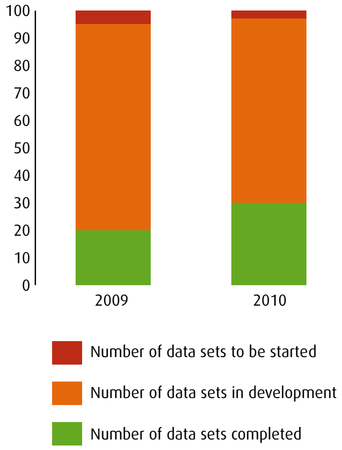
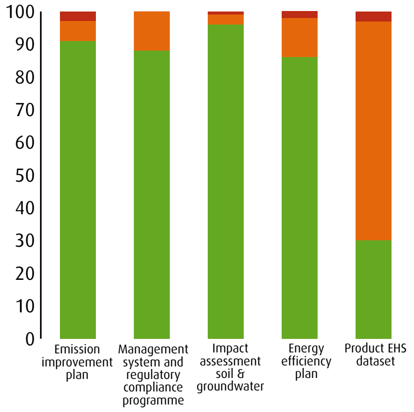



FIGURE 6

### Group environmental objectives 2006-2010 overview status 2010
(obj. 1-4: as a % of total n° of sites)
(obj. 5: as a % of total n° of data sets)



# Progress on addressing historical legacy

Umicore's programme for assessing and remediating, where necessary, soil and groundwater contamination has made significant progress in the last few years. The following section illustrates the main ongoing programmes and the progress made during 2010.

Beside these concrete remedial actions, Umicore also searched into innovative in-situ techniques for metals in groundwater (predominantly zinc, cadmium and cobalt) through a EU-funded LIFE-project. The technology, called INSIMEP (In-Situ Metal Precipitation) consists of precipitating metals in the groundwater as sulphides by activating sulphate reducing bacteria. The project was awarded by the EU as one of the best 6 LIFE-projects and was selected to run for Umicore's Innovation Award. Umicore is now testing the applicability of the technique on selected sites.

## Flemish Region of Belgium

On 23 April 2004, Umicore signed a covenant with the regional waste authorities (OVAM) and the Regional Minister of the Environment in the Flemish Region of Belgium by which Umicore committed to spend € 62 million over 15 years to remediate the historical pollution at four sites, of which two - Balen and Overpelt - now belong to Nyrstar, a business divested by Umicore in 2007, and some surrounding residential areas.

In Hoboken, the excavation of a former calcium-arsenate storage was completed. Groundwater containment actions were agreed upon with the regional waste management agency (OVAM). The implementation of the actions, which involved the remediation of a former gas plant, was delayed because Umicore successfully obtained the status of innocent owner. This means that OVAM agreed to take over the liability for the remediation of the former gas plant.

Also, together with OVAM, the excavation of some contaminated private gardens in the Vinkevelde area near the Hoboken plant, was completed.

In Olen, the on-site groundwater remediation was continued. Further excavation works are in preparation after the demolition of an old building, with contaminated soil beneath it.

Also in Olen, Umicore is engaged in finding a long term sustainable solution for the pending environmental issue linked to the historical storage facilities of low level radioactive waste. Therefore, Umicore performed a study to understand the risks and to define the measures that need to be taken to ensure the safe longer term storage of this material. As part of this process, Umicore received the advice and support of the involved authorities (FANC, NIRAS/ONDRAF and OVAM). Concurrently, Umicore continued discussions with the agencies to come to a common understanding with a view to ensuring the financing and transfer of responsibility for the long term storage of those materials.

Also as part of the 2004 covenant with OVAM and the Flemish Region, a joint fund of € 30 million (half of which was contributed by Umicore, the other half by the regional authorities) was created to address historical contamination in a 9 km radius around the four operational plants of Balen, Overpelt, Hoboken and Olen. As part of this agreement, the actual excavation of zinc ashes from all private driveways in the entire perimeter covered by the covenant, was initiated and expected to be completed in 2013. Excavated material is stored safely at the Nyrstar plant in Balen.

## France

In Viviez, following the granting of the final approval in July 2009, Umicore started a large-scale remediation programme that will be executed until 2014. The project consists mainly of the removal and inertisation of more than one million m³ of contaminated soil and waste, and the storage of the inertised products in a newly constructed landfill. This landfill, called Montplaisir, is now ready to accept the treated material. At the same time, the mobile waste treatment plant was installed and first treatment tests carried out succesfully. A mobile laboratory equipped with modern analytical instruments, was installed next to the treatment plant in order to ensure a constant follow-up as requested by the authorities. In order to avoid disturbance in the local commmunities by excessive truck traffic, a conveyor belt of 1.600 m was installed to transport the waste and the contaminated soil to the treatment plant.

## Germany

Umicore and its predecessor companies can look back on a long history of mining in Germany, which ended with the closure of the Lüderich zinc mine near Cologne in 1978. A number of underground mining concessions are still in Umicore's possession. In 2009, a new company (Umicore Mining Heritage GmbH & Co. KG) took over the management of these former mining properties.

With the support of an external expert, Umicore has further refined its analysis of the financial risks associated with these former mining sites.

Groundwater clean-up in Swäbisch-Gmünd was initiated in 2008 and is still ongoing.

## USA

Umicore continues to treat drainage water at a former mining site in Colorado (USA). Umicore is reviewing other technologies aimed at decreasing the metal concentration in the discharge and thus decreasing the volume of solid waste material produced. In 2009 and 2010, previously produced waste water sludge was pumped back into the mine shaft, in order to decrease the acid level of the mine water, thus rendering the metals less mobile.

Umicore closed its cobalt facility in Maxton in 2009. Along with the decommissioning of the plant, a voluntary soil remediation project for the site and the surrounding area was initiated. Due to a delay in the programme, the completion of the remedial works is now foreseen in 2012.

## Brazil

During the environmental risk assessment, which is performed on each of Umicore's industrial sites, groundwater pollution had been detected in Guarulhos, Brazil. This historical pollution dates from before the acquisition of these operations by Umicore in 2003. Umicore has initiated immediate measures to stop the spreading of this contamination to the neighbouring areas. These actions, consisting of the installation of an hydaraulic barrier, are to be completed early 2011. Meanwhile the company is investigating the most cost-effective way to remediate the overall groundwater pollution and has booked the necessary provisions.

## South-Africa

Umicore closed its cobalt facility in Roodepoort in 2005. While preliminary waste removal actions were undertaken in 2007, it took until mid 2010 to receive all the required agreements from the authorities to decommission the plant. Along with the decommissioning of the plant, a voluntary soil remediation programme will be carried out. The works are expected to be completed by the end of 2011. Extensive groundwater investigation, including risk assessment, revealed that groundwater contamination does not pose any risk.

# Social report

# We work together

## ...the Umicore way

A company - very much like society itself - is a living organism; a team of people who are jointly responsible for the success of business. Companies also form an integral part of the local communities in which they are embedded. Providing for the well-being of employees and local stakeholders is therefore essential in successfully growing a business in a sustainable manner. A safe and healthy working environment for all, transparency, dialogue, respect, teamwork are key ingredients.

In 2006, Umicore adopted five-year social objectives to map out a path for all to follow, based on the principles of "The Umicore Way": addressing local stakeholder concerns and continually improving working conditions and prospects for its employees.

The Umikids day-care centre in Hanau celebrated its first anniversary in 2010. Promoting flexible working conditions form part of our efforts to be considered a preferred employer.

Umicore seeks to encourage learning and development for all its employees. The "Tuteur Métier" programme in France provides structured learning for young employees, which is provided by their more experienced colleagues.

# Human Resources

In this section we highlight some of the major human resources challenges and projects of 2010. Subsequent sections review the progress made on the Social Objectives. Additional key performance indicators are also highlighted to illustrate some of the underlying actions undertaken by Umicore during the year. The social report concludes with an overview of the health and safety performance of the company.

## Evolution of employee numbers

As Umicore recovered from the downturn of late 2008 and 2009, during 2010 the company gradually phased out measures such as temporary unemployment and shorter worktime. Throughout the year the number of people employed by Umicore increased moderately, primarily in the business groups Energy Materials and Performance Materials. Most of the increase could be attributed to higher levels of business activity and intensified investment and development efforts. The number of people employed by associated companies increased substantially, primarily at Element Six Abrasives.

At year-end the total workforce stood at 14,386, of which 4,828 were employed by associated companies. This represents a total increase of 666 compared to 2009. Of this increase, 243 were recorded in fully consolidated Umicore companies (up 2.61 %) and 423 in associated companies (up 9.60 %). Of the total workforce in fully consolidated Umicore entities the percentage of workers on temporary contracts remained at a level of about 4 %.

During the year 2010, the restructuring of the Hanau site was completed and the sites in Alzenau and Nürnberg (both Germany) and Kiev (Ukraine) were closed.

## Greenfield operations and expansion

The construction of a new greenfield plant for rechargeable battery materials in Kobe (Japan) started during 2010. Organization and staffing has been prepared for the start-up of the site in 2011. A project has also started for expanding the capacity for the production of rechargeable battery materials in Korea and for building a new test center for Automotive Catalysts in China.

In South Africa an agreement was made to integrate the two Automotive Catalysts entities in Port Elizabeth in one legal entity. In Belgium, the integration of Umicore Oxyde (Zolder) into Umicore. was completed, with the transfer of all employees to the latter.

In the US the Technical Materials business unit is in the process of moving from its site in Cranston, Rhode Island, to Attleboro, Massachusetts, in line with its growth strategy for the region. Umicore also opened a new site in Yverdons-les-Bains (Switzerland).

## Group-wide HR initiatives

Umicore has developed group-wide priorities for human resources in the frame of Vision 2015. The human resources organization within the company aims to continue to focus on its key processes and practices whilst at the same time develop a stronger business focus. This will ensure greater alignment between the business units and Umicore's Vision 2015 strategy. Talent and performance management will be a key focus area and in this regard the bonus policy for Umicore managers was modified during 2010 and was implemented for the 2010 Individual Performance Appraisal for all managers throughout the Group.

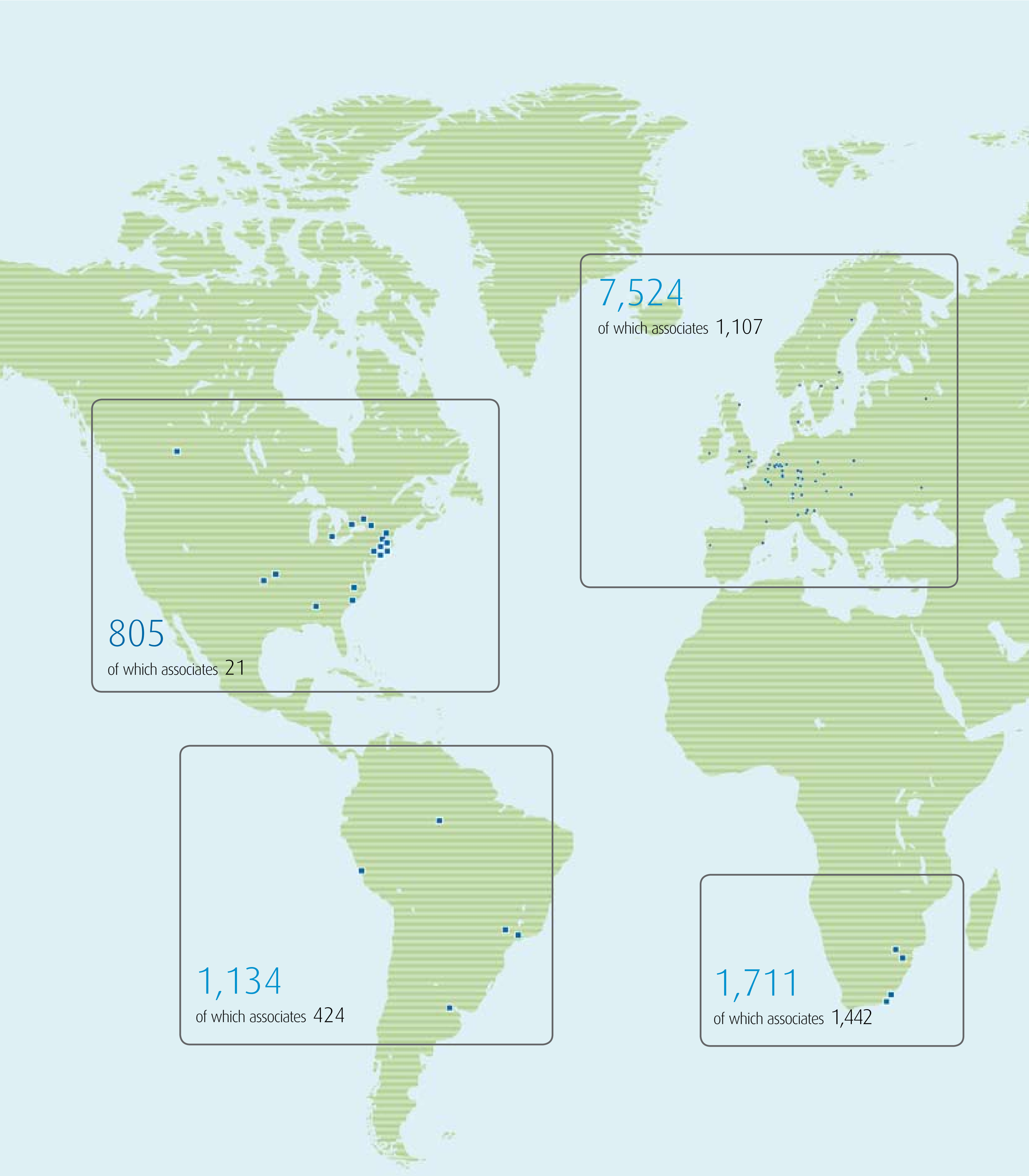
The project definition and planning phase for a new global human resources information system (HR IT) has been finalized. This project includes a technical and functional upgrade of the current HR IT system and will involve all European regions and North America in a first phase between 2011 and 2012. The final aim is to have an integrated system, aligning shared HR processes across all business units and regions while respecting local requirements.

Along with Vision 2015, new sustainable development objectives were defined and the roll out though the business groups and business units took place in the last part of 2010.

A company-wide people opinion survey was conducted in 2010 and a summary of the main conclusions can be found on pages 58-59.

More details on the headcount are available on pages 56-57 (world map).

# International presence & workforce




## Umicore presence

| | Production sites | Other sites | Employees |
|---|---|---|---|
| **Europe** | | | |
| Austria | 1 | | 131 |
| Belgium | 8 (1) | 1 | 3,023 (65) |
| Czech Republic | | 1 | 4 |
| Denmark | | 1 | 12 |
| France | 5 | 2 | 799 |
| Germany | 8 (2) | 3 (2) | 2,266 (367) |
| Hungary | | 1 | 6 |
| Ireland | 1 (1) | | 239 (239) |
| Italy | 1 | 3 (1) | 85 (17) |
| Liechtenstein | 1 | | 124 |
| Luxemburg | | 1 | 8 |
| Netherlands | 2 | | 127 |
| Norway | 1 | | 55 |
| Poland | | 1 | 10 |
| Portugal | 1 | | 47 |
| Russia | | 1 | 6 |
| Slovakia | 1 | | 36 |
| Spain | | 2 (1) | 17 (3) |
| Sweden | 2 (1) | 1 | 215 (178) |
| Switzerland | 1 | 3 (1) | 39 (7) |
| Ukraine | 1 (1) | | 186 (186) |
| United Kingdom | 1 | 5 (2) | 89 (45) |
| **Asia/Australia** | | | |
| Australia | 1 | 2 | 61 |
| China | 11 (4) | 5 (1) | 2,375 (1,588) |
| India | 2 | 2 (1) | 68 (6) |
| Japan | 2 (1) | 2 (1) | 143 (91) |
| Malaysia | 1 | | 61 |
| Philippines | 1 | | 86 |
| South Korea | 2 (1) | 1 | 304 (145) |
| Taiwan | 1 | 2 (1) | 27 (4) |
| Thailand | 1 | 1 | 87 |
| **Americas** | | | |
| Argentina | 1 | | 40 |
| Brazil | 3 | 1 (1) | 675 (5) |
| Canada | 3 | | 207 |
| Peru | 1 (1) | | 419 (419) |
| United States | 10 | 5 (2) | 598 (21) |
| **Africa** | | | |
| South Africa | 3 (1) | 1 | 1,711 (1,442) |
| **Total** | **78 (14)** | **48 (14)** | **14,386 (4,828)** |

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.

# People survey

In 2010 Umicore completed its fifth world-wide employee opinion survey. Employees in 35 countries took part in the survey, which was translated into 18 different languages. The overall **participation rate rose to 86 %**, a record level for Umicore. This excellent response rate illustrates the importance that both management and the employees attach to this feedback process. Both paper and electronic web-based questionnaire methods were used. The survey was processed by an external consultant in order to guarantee data anonymity and to allow valid benchmarking. These benchmarks include "all industry" norms on country level, and specialised global benchmarks, allowing Umicore to compare with peers in the chemical industry, and with Global High Performance companies: a selection of companies combining good business results with sound people management practices. For the manager population, comparisons were also made to a Global Management norm.

The survey consisted of 97 items which were later grouped in 12 categories, such as "leadership", "customer focus & quality" and "involvement & empowerment". The results were analysed at Group, unit, country and site level by comparing them with the results of previous Umicore surveys and with the relevant external benchmarks. The results were communicated throughout Umicore in early 2011. As in the past, detailed action plans will be deployed at unit and local level to address those areas where improvements can be made.

The **overall results show consistent progress** in most categories. (See graph 1) The most noticeable improvements were made on "Information and Communication" and "Direct Supervision".

The scores vary somewhat between business units and regions. Variances in regional and country results can be explained partly by cultural differences in scoring: national benchmarks can differ substantially from one country to another. In most countries where Umicore has a significant presence, **Umicore scores better than the national benchmark** of these countries.

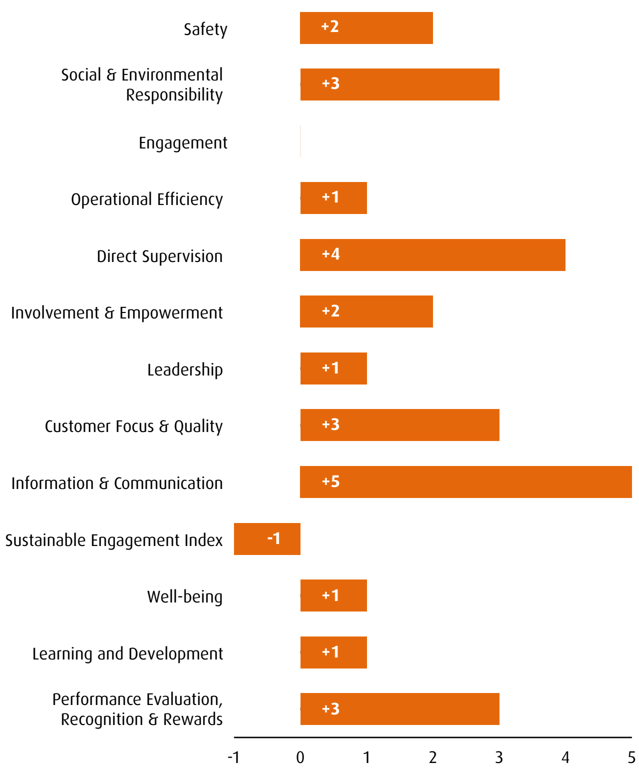
There is still **room for progress** when comparing the overall results of Umicore with global benchmarks. Generally speaking, Umicore scores 3 points below the Global Chemical Industry norm. With the deployment of the new Vision 2015 objectives and of specific action plans emanating from the people survey results, Umicore aims to close this gap by 2015. Compared to the stretched benchmark of the Global High Performance Norm, the average gap is 6 points.

The survey also shows that the scores given by managers are clearly ahead of the Global Management norm. Further efforts are needed in order to improve the satisfaction ratings among other employees.

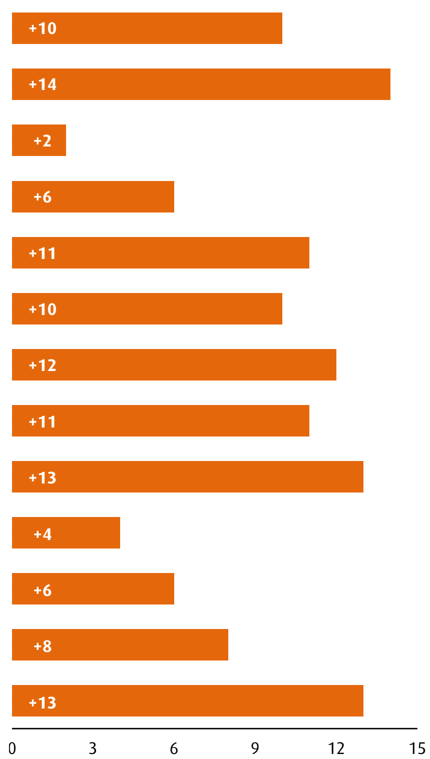
As part of the measurement towards the Vision 2015 objective of "Preferred Employer", the effectiveness of the improvement plans will be gauged in early 2013 and in late 2015, during the next editions of the people survey.

## Umicore overall compared to 2007 and 2001

**Difference from 2007**

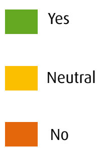



**Difference from 2001**



**The following graphs illustrate a number of scores and benchmarks on items that are linked with the five Social Objectives, outlined on pages 61-67.**

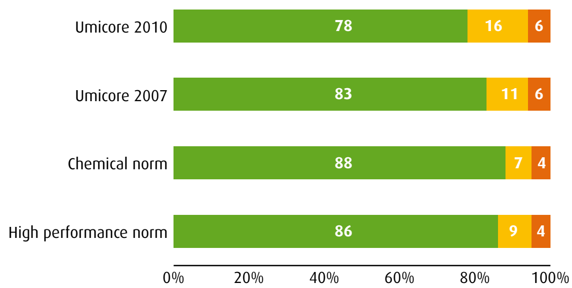
**The scores of 2007/8 refer to the results of the 2007 people survey, integrating the results from a number of acquisitions which were surveyed in 2008.**




## Accountability to Local Community

**My site fulfils its social responsibility with regards to the community**

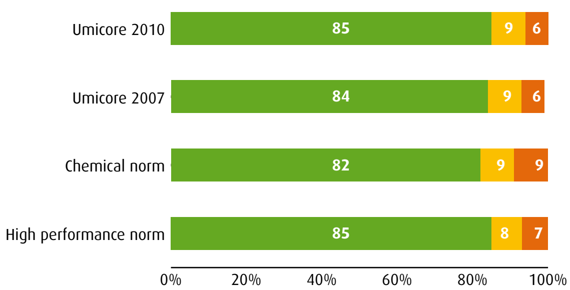
Although the score is high in absolute terms (78 % positive scores), the result decreased compared to the previous survey and is also lower than the external benchmarks. "Accountability to the local community" has been retained as one of the new Vision 2015 objectives. Action plans to meet this objective are also expected to have a positive impact on the perception of employees.




## Preferred Employer

**I would recommend Umicore as a good employer**

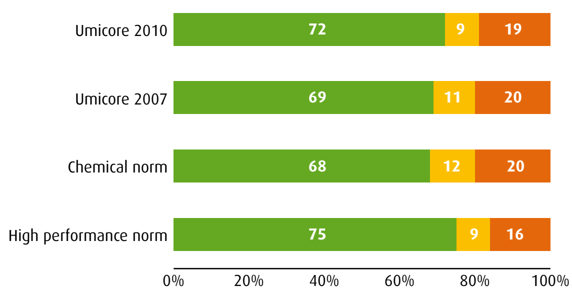
The score was maintained at the very high level of 85 % positive answers. This is higher than the Chemical norm and in line with the high performance benchmark.




## Constructive dialogue and open communication

**Differing opinions are openly discussed in reaching decisions in my work team**

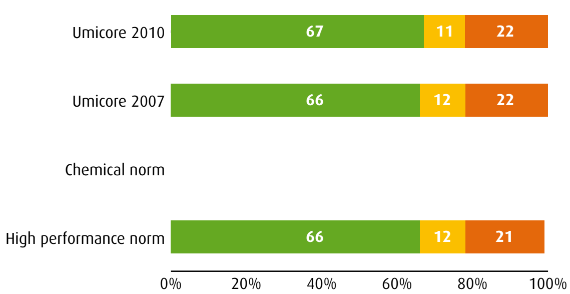
72 % of respondents gave a positive answer. This was an increase compared to the previous survey and above the chemical norm but still falling short of the High Performance benchmark.




## Learning & Development

**New employees received adequate training for their job**

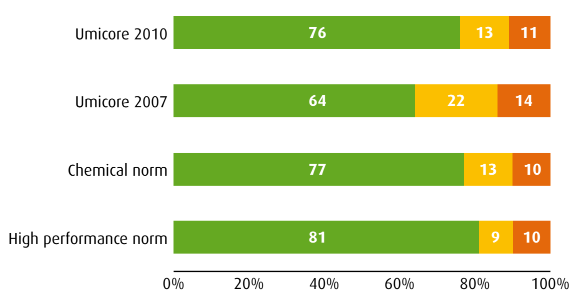
This item shows further improvement compared to 2007/8. Umicore's score now reaches the level of the High Performance companies. No comparison is available with the Chemical Norm.




## Equal Opportunity

**Umicore management supports diversity in the workplace (recognising and respecting the value of differences in age, gender, ethnic background, etc.)**

This item shows strong progress, narrowing the gap with the external benchmarks.




Umicore's schooling project in South Africa has been providing educational opportunities for young children since 2004.

# Group Social Objectives 2006-2010

## Scope

Umicore has established five Group social objectives for the period 2006-2010. These objectives are in line with "The Umicore Way" and constitute, together with the Group environmental objectives (pages 45-49), Umicore's Sustainable Development approach to promote continual improvement in the company's performance on social aspects that are material to the Group.

Reporting on the social objectives applied to all 98 consolidated sites but formal reporting only applied to 75 sites. The social objectives are valid for the small sites (typically below 10 employees), although progress on the improvement plans is not formally reported. This is one fewer than in 2009 due to the site relocation referenced in the previous section.

In the graphs shown in the following pages the status is reported as a percentage of the total number of sites indicating respectively whether the objectives have been met, the actions are ongoing or have yet to start.

• "objective met": all the requirements related to the objective are met

• "actions ongoing": actions have been launched related to one of the targets

• "actions yet to start": no specific actions have yet been taken on any of the elements related to the objective

All 98 consolidated sites report the additional key performance indicators, such as training hours or voluntary leavers, using the Group social data management system. In addition, 28 associated sites report their headcount numbers.

In this section, more details are provided on the status of each social objective and additional key performance indicators.

The external report verifier (ERM CVS) reviewed the actions related to the objectives as part of its assurance of Umicore's sustainability performance included in this report.

Over the past 5 years, Umicore has made significant progress on the objectives and has confidence of continued success as the company moves forward with its initatives and priorities for Vision 2015. See pages 74-75 for a visual snapshot of the objectives as of the end of 2010.

# 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.

Status

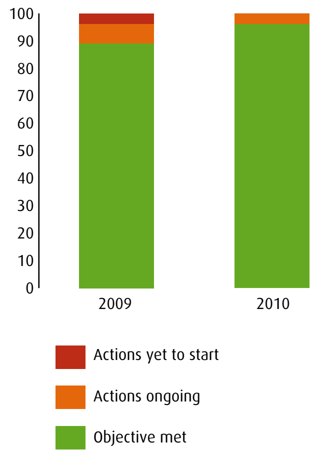
96% completed

At the end of the period, 96 % of the sites had successfully prepared and implemented plans, thereby meeting the objective. The remaining 4 % were still in the process of implementing improvement plans for this initiative.

Many sites continued their momentum in 2010 with their long-standing traditions of communication with stakeholders: the distribution of local magazines and brochures to the surrounding community (mainly focusing on their environmental performance), participation in local or regional stakeholder meetings, community advisory panels, local city/town halls meetings, public forums with other industrial businesses and open house events. For example, a two-day open house was held in September at the Hoboken (Belgium) site. This opportunity showcased the site's industrial operations and educated visitors on the social and environmental initiatives for sustainability at the site. The event was open to the general public, Umicore employees, their families and friends.

Another important aspect of this objective is involvement in the local community. Umicore has a group policy on donations. The group aims to allocate each year the equivalent of approximately 0.5 % of its consolidated EBIT (earnings before interest and tax) to donations. In 2010, Umicore contributed just over € 1 million in this regard, an amount that was similar compared to the donations level for 2009. However, given the sharp increase in earnings this represented only 0.31 % of the consolidated EBIT, compared to 0.73 % the previous year. An updated version of the donations policy will be introduced throughout Umicore in 2011. This revision aims to improve the understanding of the importance of donations and to seek improvements in planning and reporting of initiatives. In 2010 a Group donations committee was set up to oversee the Group level donations programme and to provide guidance and support to the business units and sites.

Accountability to local community




From a global and site perspective, Umicore and its employees together supported efforts to provide aid to the victims of two natural disasters in 2010. On 12th January, a large earthquake struck one of the world's poorest countries, Haiti. Umicore and its employees donated a total of € 66,015 to ACME, a microfinance institution in Port-au-Prince, a partner of Incofin, to assist individuals in rebuilding their businesses. In July, a monsoon struck Pakistan causing extensive flooding throughout the Indus valley, particularly in the North-West of the country. Nearly 14 million people were affected by the flooding. Umicore and its employees donated a total of € 56,039 to the aid agency Médecins du Monde (MdM) which was active in Pakistan providing direct benefit to the local victims, specifically medical care and disease control.

The majority of sites were involved in initiatives, charitable or volunteered time, either to support projects in their local area or for the benefit of more general causes throughout the year. A few of these initiatives are described below.

Umicore supported "One Laptop Per Child", a non-profit organization, which provides laptops to disadvantaged children, aged between 6 and 12 in the poorest and most remote areas on the planet.

In Port Elizabeth (South Africa), the sites continued their long-standing support of two efforts: the Umicare Halfway House (est. 2004) and Umicare Remedial School (est. Jan 2006). The South Africa Umicare project provides a number of children with a challenging tertiary education that qualifies them for a professional career. The programme is run in co-operation with the Eastern Province Child & Youth Care Centre. The project rented a building and converted it into a house: a safe and suitable environment for students to live and study. The Umicare Education Centre offers pre-school children from different orphanages in town an entry into education; "basics" for children in grades 1 - 3 in a bridging class and a tutoring program for approximately 20 children from the EP Children's Home.

In North America employees at the Glens Falls site supported a family in need through the Christmas holidays and made an additional donation to the Salvation Army. The Burlington site held its annual drive for the United Way project, with a 76 % participation rate, collecting monies for various charities. The employees at the site in Markham, near Toronto, sponsored a child in Africa. The monies were used to provide for the child's education.

The Jsinchu Hsien site in Taiwan supported children and families through the "Taiwan Fund for Children and Family".

Umicore Brazil's "Better Life" Project (established in 2004) focuses on fostering the educational and social development of the local communities surrounding its plants. In 2010, the Guarulhos site continued its efforts on this project together with the local government. In Americana, also in Brazil, the site continued to welcome on a monthly basis some 17 girls separated from their families by court order, and who are looked after by Americana's Deprived Children Support Association. The site promotes activities linked to individual values and self-knowledge, integration and citizenship. A psychologist was made available to provide counselling for the girls and many Umicore employees regularly volunteered their time, participating in handicrafts, recreational activities and spending time with the girls.

In China, employees at the the Suzhou site volunteered their time at the Boai School, a non-governmental charity organisation which provides medical care, education and rehabilitative treatment to children with physical, mental and special educational needs.

The Hoboken site in Belgium sponsored a project called Ecolab which explains environmental issues to children through magic tricks. The site also continued to support the development of the new Museum aan de Stroom (MAS), a museum which will focus on the cultural heritage of Antwerp, its port and their role in the world. This initiative is relevant to the Hoboken site due to its location in Antwerp and its association with the city's port. At the Olen site, also in Belgium, employees organized a multi-sport event in which participants could raise money to support local projects and for Avalympics, an organization giving children and adults with a mental disabilities the chance to participate in sport. Participants included both Umicore employees people from the local community.

At the Hanau site in Germany , the Automotive Catalysts team invested in the education of children by sponsoring a school course in robotics. In Rheinfelden a violence prevention course was taught to kindergarten and grade one pupils focusing on empathy, impulse control and anger management skills. The programme comprises 51 lesson over three years. The "Faustlos Initiative 2010" is underway at all six elementary schools in Rheinfelden.

During the past five years the objective has sought to place "accountability to the local community" on the agenda of all sites. Although in most sites significant engagement efforts with the local community were happening before the formulation of this objective, in 2006 only 29 % of the sites reported that they had a plan in place to manage this responsibility in a systematic way. This percentage evolved towards 96 % in 2010. In the new set of Vision 2015 objectives, this theme will retain a prominent place and will accentuate the need to capture the evolving expectations of the local communities close to Umicore's operations and to incorporate the feedback obtained.

# 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 valuable employees, encourage our employees to develop their careers.

Status

96% completed

At the end of the period 96 % of the sites had successfully prepared and implemented plans, thereby meeting the objective. The remaining 4 % were still in the process of preparing improvement plans.

Two Key Performance Indicators (KPIs) that provide insight into the success of this objective are voluntary leavers and sickness rate. The worldwide average figure for voluntary leavers, which takes into account regional variations, increased to 3.78 % from 2.59 % in 2009. This increase is largely a reflection of double digit turnover in Asia Pacific. The percentage of days lost through sickness (absenteeism rate) increased very slightly to 2.86 % from 2.60 % in 2009. While there was an increase of the global absenteeism rate, in most of the countries where Umicore is present, this is below the national average.

For the sixth consecutive time Umicore in Belgium received external recognition for being a preferred employer in 2010. Umicore was selected along with 33 other companies as one of the "Best companies to work for". Umicore is able continue to use this recognition during 2011 in recruitment campaigns.

A number of sites in countries Umicore operates conducted efforts for 'employer branding' at job fairs and campus events, particularly at universities. Umicore continues to focus on apprenticeship, combining professional experience with school teaching, particularly in Germany where apprenticeship retains a highly regarded way of attracting and training young people for a career in industry.

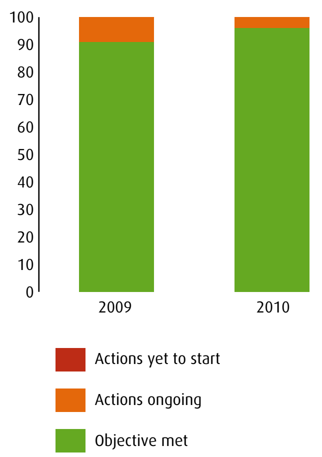
In October 2010, HRMinfo, a community and knowledge provider for HR professionals, published the White Paper "Corporate Social Responsibility & Sustainability – The new challenges for Human Resource Management". Umicore, together with other large companies and governmental departments in Belgium, participated in a think tank aimed to formulate new ideas and provide insight to help organizations to improve on sustainable HRM and business. The White Paper contains a separate chapter, describing the way Umicore evolved from "historical polluter" to leader in sustainability and human resource management.

In August 2010, Umicore's first daycare centre, known as "umikids world" in Hanau completed one year of operation. The daycare provides quality care, social development and pre-school learning for 12 children from 9 weeks to 4 years of age for the children of employees. The daycare has been a success and well appreciated by the employees.

Umicore held its second group-wide Innovation Awards ceremony in Brussels (Belgium) in September 2010. During the year, all employees of the company were invited to submit innovative project ideas in any of five themes; Science & Technology, New Business Development, Non Technical Process Improvement, Technical Process Improvement and Environment, Heath & Safety. The top three front runners for the award in each category were invited to the ceremony. Employees attended the event for several countries. All contenders were recognized at the event with an Umivation Award going to one winner in each theme.

During the past five years, the number of sites implementing a plan on preferred employer rose from 22 % in 2006 to 96 % in 2010. This illustrates that most sites have taken concrete steps towards improving Umicore's reputation as an employer at a local level. Because of the ambition to further improve the People Opinion Survey results (see page 58-59), and the continued importance attached to attracting and retaining the required talent to meet the company's business opportunities and challenges, the theme of this objective has been taken up in the Vision 2015 objectives.

## Preferred employer



# 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.

Status

94% completed

At the end of the period 94 % percent of sites had met the objective and 6 % of the sites had initated such plans.

Many platforms for dialogue exist at most sites, ranging from formal works council meetings to general meetings with all employees (so called "town hall meetings"). Additionally, many sites have in place a formal performance review process that facilitates dialogue between employees and their supervisors.

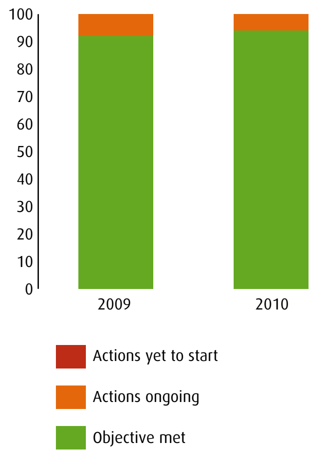
In 2010 Umicore conducted it's fifth People Opinion Survey. This is an important tool for the company to gauge employee engagement. The communication of the results to sites and units began in the fourth quarter of the year. Further information on the results of the survey can be found on pages 58-59.

In 2007, Umicore signed an "International Framework Agreement" with two key international trade unions on the global Group-wide implementation of its policies on human rights, equal opportunities, labour conditions, ethical conduct and environmental protection. Umicore is one of 70 companies worldwide having signed such an agreement, and the only Belgian company. The implementation of this agreement with the International Metalworkers' Federation and the International Federation of Chemical, Energy, Mine and General Workers' Unions, is monitored by a joint committee. The members of the monitoring committee visited the production site in Guarulhos (Brazil) in January to verify the implementation of the agreement. The committee also met in April 2010 for its annual meeting to review Umicore's sustainable development efforts and results. The external report verifier (ERM CVS) was present via video conference.

In 2010, the equivalent of 801 total individual working days was lost through strikes. The vast majority of strike days (674) occurred in French sites. All days lost in France were part of nationwide protest campaigns against pension reforms and not linked to any specific Umicore-related issue. The remaining work interruptions happened in sites in Belgium and were also partially linked to a national protest campaign. Some actions (counting for 40 individual working days lost) were linked to a specific local issue in the site of Hoboken.

Dialogue and communication were already high on the agenda of most sites before the introduction of the current set of objectives. This is illustrated by the fact that in the first year after introduction of this social objective, 60 % of the sites already had a plan in place. By 2010 this percentage increased to 94 %. This theme will remain high on the agenda for Umicore and is included in elements of a broader grouping of objectives for Vision 2015, "Being a great place to work".

## Internal dialogue & open communication



## OBJECTIVE 4

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

Status

97% completed

All Umicore sites are capturing and reporting training received for employees plans for learning and development. 97 % of the sites have fully implemented such plans, while 3 % have not completely implemented their local plans.

The average number of training hours per person for 2010 was 43.30 hours, which is in line with 2009, which was 44.05 hours. The training hours are representative of on-the-job training and classroom-type training offered at different levels of the company.

All regions conducted intensive training and development efforts. Umicore initiated a new wave of Group-wide leadership programs (Entrepreneurs for Tomorrow and Inspirational Leadership) during the year.

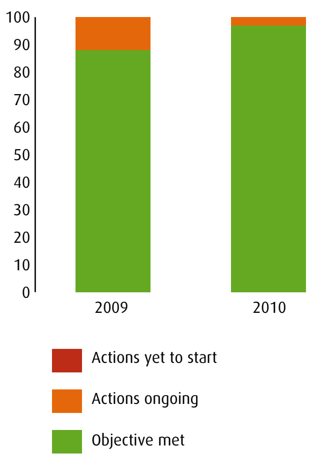
In an ever faster changing world with an increasing amount of information, the ability to learn is becoming more and more important for innovative companies. One initiative aimed at promoting the acquisition and sharing of knowledge is the Umicore Technical Academy, a Group R&D development. The Academy provides what is called "blended technical learning". This combines self-directed learning using materials found on learning platforms and also classical learning in a face-to-face environment. In addition to external speakers, the Academy builds on the rich experience and knowledge of experienced Umicore employees who use the forum to pass on their experience and knowledge to younger colleagues.

The French sites reached an agreement with the trade unions on a specific approach for employees above the age of 50. The “Accord Seniors” agreement was signed with the trade unions in January 2010. The agreement covers four topics: encouraging the hiring of senior employees; improving working conditions and reducing the level of physical constraints; facilitating the transition between career and retirement; the promotion of tutoring / mentoring. In the framework of tutoring, the focus is knowledge sharing between older to younger employees. Senior employees (age 50+) who have10 years or more work experience can become a "Job Tutor". Tutors spend at least 20 % of their time working on transferring expertise to younger employees. In exchange, for each month of tutorship, they accumulate an extra day off for early retirement. Umicore ensures training for the tutors to obtain the required teaching skills. Umicore France introduced a charter outlining the respective commitments of Umicore, tutors and learners.

Planning for the future also means thinking about the younger generations and attracting skilled employees. Within Umicore, many sites have implemented scholarship programs for higher education (college / university) for the children of employees.

Training and development is one of the fields in which Umicore had an established record before the launch of the 2006-2010 objectives. Nevertheless, the formal management of training and development at site level rose from 58 % in 2006 to 97 % in 2010. This theme remains key in the social policy for the future. “People Development” remains a key component of the Vision 2015 objectives, with a focus on seeking further improvements in the way development opportunities are made available to all employees.

### Learning and development



## 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.

Status

100% completed

At the end of the period, all sites had implemented Umicore's Code of Conduct, the Human Rights policy and action plans to address equal opportunity.

At the end of the period, the percentage of female employees in the worldwide workforce remained unchanged from 2009, at 21.05 %. The proportion of female workers varies, with the highest female population in Greater China. At management level, the ratio of female managers increased slightly to 18.65 % from 18.19 % in 2009, approaching the ratio of the overall female population of 21.05 %. Additionally, the ratio of female senior managers rose from 5.65 % to 6.40 %. In France an agreement was signed in November concerning gender equality. The focus is on gender neutrality in five key areas: recruitment; training and development; career development / advancement; work-life balance solutions; and salary.

Action plans are being implemented in a number of countries to address the inclusion of people with a handicap. In France, the project "Vers l'Integration Adaptée (VIA)", which was launched in 2007 continued throughout 2010.

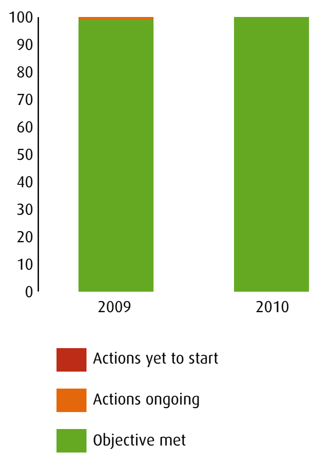
Umicore has screened all of its operations worldwide for the risk of breaching the right of freedom of association and collective bargaining, incidents involving child labor as well as forced or compulsory labor. The conclusion was that no Umicore sites were faced with specific human rights issues or risks. In total, 68.92 % of the global workforce are either unionized or covered by a collective labor agreement.

To further promote the Umicore values and the Code of Conduct, a training tool was deployed in 2008 and 2009: the "Umicore Way Game". This training kit was devised in the form of a board game and is offered in different languages. It continued to be used by Umicore's sites in 2010. It is anticipated a review and update of the Umicore Way Game will be completed in 2011-2012, to be fully in line with the Vision 2015 strategy.

Looking at diversity in the workplace, the headquarters of Umicore in Brussels (Belgium) has grown in dimension. In 2006, its staff represented 10 nationalities. In 2010, this increased to 16 nationalities.

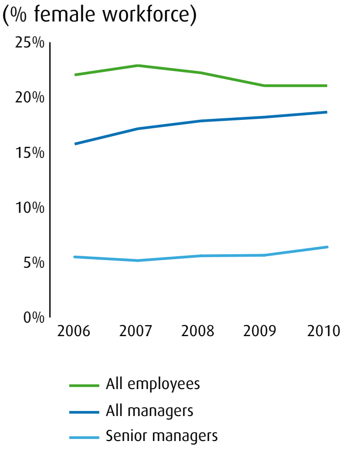
The five-year evolution of the objective on "equal opportunities, diversity and respect for human rights" was evaluated in two steps. Already in 2006, all sites re-confirmed that they were in line with the Human Rights policy of the company. On the fields of equal opportunities and diversity, the percentage of sites that have a plan in place rose from 64 % to 100 %. This topic will continue to be addressed by recruitment actions and career development, but given the already high level of progress and alignment through the company it will not be specifically addressed in the new Vision 2015 objectives.

### Equal opportunities, diversity, respect of human rights




### Gender balance

(% female workforce)




Health and safety considerations, including education and training, are of paramount importance – from the largest site to the smallest.

# Occupational health & safety

## Scope of Health Reporting

Starting in 2008, Umicore has progressively integrated systematic occupational health indicators in its central EHS database. In 2010 this process resulted for the first time in the creation of a complete dataset for all the business units and sites.

Only data from consolidated manufacturing sites where Umicore has operational control and the two large office buildings are included in this report. The total number of sites reporting in 2010 was 66.

### 2010 review

'The Umicore Way' states that 'no compromises will be made on a safe and healthy working environment'. Umicore is making all efforts to eliminate occupational-related illness and to promote well-being in the workplace. The main occupational health risks are related to exposure to hazardous substances such as platinum salts, lead, arsenic, cadmium, cobalt and physical hazards (mainly noise). Each site is required to implement an occupational health programme in line with its risks. The objective of such programmes is to avoid or reduce exposure to hazardous substances in order to prevent adverse health effects. When the exposure exceeds the reference value, measures are taken to improve the working conditions. This does not exclude that in some workplaces personal protective equipment needs to be worn irrespective of the risk level. If an occupational disease is diagnosed, workers are temporarily or permanently assigned to a modified job away from potential exposure. For the period 2011-2015, Umicore has defined a Group objective to further improve working conditions (see pages 9-11). To that end, Umicore will continue to work on the quality of the occupational health data reporting.

Key data on occupational health illnesses (noise-induced hearing loss, contact dermatitis, occupational asthma, musculo-skeletal disorders) and biomarkers of exposure (lead, arsenic, cobalt, cadmium) are reported in the central EHS database to monitor progress in performance.

In 2010, 42 employees were diagnosed with an adverse health effect linked to exposure in the workplace.

### Platinum salts

Thirteen sites covering four business units where platinum salts are handled (Automotive Catalysts, Precious Metals Chemistry, Precious Metals Refining, Jewellery & Industrial Metals) have implemented a sensitization screening programme based on the guidelines of the occupational health working group of the International Platinum Association (IPA) ("Guidance for the medical surveillance of workers exposed to complex platinum salts", 2002). In 2010, no cases of platinum salt sensitization (occupational asthma) were reported.

Umicore chairs the International Platinum Health Science Task Force, bringing together the world's main platinum mining, refining and automotive catalyst producing companies. The mandate of the task force is to provide scientific input on health and environmental matters related to the platinum group metals. The task force works under the auspices of the European Precious Metals Federation and the International Platinum Association. In 2011, the task force is planning a retrospective epidemiological study to better characterize the exposure-response relationship for chloroplatinate allergy particularly in the lower end of the exposure range.

### Lead

Occupational exposure to lead represents a potential health risk for the sites in Hoboken and Maxton (Precious Metals Refining), Amsterdam, Bangkok, Markham, Pforzheim (Jewellery & Industrial Materials) and Changsha, Pasir Johor, Angleur, Heusden Zolder, Larvik, Sancoale and Tottenham (Zinc Chemicals), Olen (Electro-Optic Materials), Viviez, Bray-et-Lu, Bratislava and Auby (Building Products) and Providence (Thin Film Products). In total 1,364 people are potentially exposed to lead as a result of their job of which 1.4 % exceeded the target value of 30 microgrammes of lead per deciliter of blood in measurements taken in 2010. The average concentration of lead in blood was 7.2 microgrammes per decilitre of blood. Nearly all excess readings were due to higher body burdens as a result of historical exposure. Workers with excess exposure have been removed from the exposed workplace. For the period 2011-2015, Umicore will continue to work towards a target maximum exposure level for all workers of 30 microgrammes per decilitre blood.

### Cadmium

There is occupational exposure to cadmium for the sites in Hoboken (Precious Metal Refining), Hanau, Manaus, Guarulhos, Suzhou, Vicenza , Glens Falls (Technical Materials), Amsterdam, Bangkok, Pforzheim (Jewellery & Industrial Materials), Larvik, Changsha, Tottenham and Sancoale (Zinc Chemicals), Providence (Thin Film Products) and Schwäbisch-Gmünd (Electroplating).

In total, a biological monitoring program is in place for 742 people potentially exposed to cadmium at the workplace of which 2.4 % exceeded the biological exposure index of 5 microgrammes of cadmium per litre of urine (ref: American Conference of Governmental and Industrial Hygienists, 2009). Since cadmium in urine is a lifetime biomarker of exposure, these higher readings reflect past exposures. The industrial hygiene programmes currently monitor cadmium levels at the workplace to minimize, if not avoid, increased exposure. In some cases, additional analyses are done for cadmium in blood, a biomarker that better reflects recent exposure to cadmium. The average cadmium in urine concentration was 1.1 microgramme per gramme of creatinine. The average cadmium in blood concentration was 0.12 microgrammes per decilitre of blood. Umicore's target for 2015 is to have no reading of cadmium in urine above 2 microgrammes per gramme of creatinine.

## Cobalt

All production sites (except Subic) of the business unit Cobalt & Specialty Materials (Arab, Bruges, Cheonan, Fort Saskatchewan, Olen, Shanghai, Jiangmen) involved in handling and producing cobalt have implemented a biological monitoring programme for cobalt exposure.

Of the 467 exposed employees 7.3 % exceeded the target level of 30 microgrammes of cobalt per gramme of creatinine. In 2010, the average cobalt in urine concentration was 12.6 microgrammes per gramme of creatinine compared to 22 microgrammes per gramme of creatinine in 2009. The results differ very much from site to site with averages below 10 microgrammes per gramme of creatinine (Olen, Cheonan, Arab) or as high as 30 microgrammes per gramme of creatinine (Shanghai). Further dust reduction measures are being taken to reduce exposure. Umicore has lowered its target exposure level for cobalt in urine to 20 microgrammes per gramme of creatinine for all workers by 2015.

In total two cases of cobalt-induced contact dermatitis were diagnosed, both at the site in Jiangmen.

The site in Olen participated in a scientific study sponsored by the Cobalt Development Institute to evaluate the potential influence of exposure to cobalt on the cardiac muscle. Preliminary results do not show a significant adverse effect that could be attributed to cobalt. In 2010, the study manuscript was developed for peer review and wider publication.

## Arsenic

Occupational arsenic exposure is possible at workplaces in Olen (Cobalt & Specialty Materials), Hoboken (Precious Metals Refining), Guarulhos (Precious Metal Chemistry), Hanau (Technical Materials) and Quapaw (Electro-Optic Materials).

In total, 618 people have potential exposure to arsenic at their workplaces of which 2.6 % of the people exceeded the target value of 30 microgrammes per gramme of creatinine. The average concentration of arsenic in urine was 10.6 microgrammes per gramme of creatinine. The biological target value for arsenic in urine will remain 30 microgrammes per gramme of creatinine (inorganic fraction) for all workers by 2015.

## Other occupational diseases

Industrial noise is an important occupational health risk. In total, 3,043 employees work in areas where a level of 80 decibels might be exceeded. Thirteen employees were diagnosed with noise-induced hearing loss in 2010.

Nineteen workers were diagnosed with a musculo-skeletal disorder such as carpel tunnel syndrome (compression of a nerve on the volar part of the wrist), tendonitis and lower back pain, all of which are health effects often linked to repetitive movements.

Besides the two cobalt-induced cases of contact dermatitis (see above) another eight cases of dermatitis were diagnosed mainly as a result of contact with nickel and welding fumes.

## Indium Tin Oxide (ITO)

The global production of ITO has increased due to its use in the manufacture of liquid crystal panels. Recently published scientific articles clearly indicate that ITO constitutes a new pneumo-toxic entity (see 'Annual Report to Shareholders and Society 2009, page 70). The National Institute for Occupational Health and Safety (NIOSH), a division of the United States Department of Labor, has conducted a health hazard evaluation of the impact indium compounds might have on employees at the Umicore site in Providence (Thin Film Products). NIOSH concluded that Umicore had made extensive workplace changes and established a comprehensive medical surveillance program. They also indicated that some adverse health effects may be related to ITO exposure and that these findings would require further examination. NIOSH has published a peer review case report (Cuming et al.: 'Pulmonary Alveolar Proteinosis in Workers at an Indium Processing Facility' American Journal of Respiratory and Critical Care Medicine Volume 181, 2010) concluding that exposure to ITO by inhalation can cause pulmonary alveolar proteinosis (filling of alveolar spaces with material consisting mostly of protein and fat) which may occur via an autoimmune mechanism.

Umicore has adopted specific measures at its ITO production site in Providence to reduce exposure levels at the workplace below the recommended 0.025 mg/m³. These include enclosed systems for scrap crushing, sawing and grinding as well as improved ventilation systems at critical workplaces.

## Nanomaterials

While nano-materials offer significant commercial opportunities in a wide array of applications, uncertainties exist concerning the physiological responses to nanomaterials compared to the same substance in larger fractions. Umicore is active in the development, production and sale of specific nano-materials (ZnO, $TiO_2$).

In line with Umicore's EHS policy, the company previously participated in two EU research consortia (NanoInteract, NanoSafe2) to study outstanding issues concerning the impact of nano-materials on human health and the environment. The company has continued its participation in a project initiated by the OECD working party on manufactured nano-materials, which is managed by the Nanotechnology Industry Association. One of the aims of the project is to validate the OECD testing guidelines for eco-toxicity for zinc oxide and cerium oxide. Umicore also made its workplace sampling data available to support the development of workplace exposure scenarios which may be needed for the revision of the REACH regulation.

A full-size production facility for nano-materials is operational at the Olen site with auxiliary equipment for product finishing at the site in Eijsden (Zinc Chemicals). With regard to potential workplace exposure, in the absence of any clear answers today, the company aims to achieve zero exposure to workers at its nano-material production facility.

## Other risks

As Umicore develops new products and processes, potential new occupational health risks are assessed. The site in Hoboken, for example, is screening incoming materials for poly-aromatic hydrocarbons that are potentially present while handling spent catalysts. Exposure monitoring during 2010 showed no increased levels. A medical follow-up program specifically focusing on these risks is in place with the aim to prevent occupational illness or detect adverse health effects in an early stage.

# Scope of Safety Reporting

In this section, Group safety performance refers to lost time accidents (LTA) and recordable injuries (RI) that occurred to Umicore staff while at their workplace. Lost time accidents that occurred to contractors are also reported but are not integrated into the Group safety performance figures. Accidents that might have happened on the road to and from work are not reported.

In total, 71 consolidated sites reported their safety performance.

Additional information on Umicore's management approach on safety can be found on the website http://www.umicore.com/sustainability/social/Approach/

## 2010 review

While in 2010 the number of recordable injuries decreased and there were no fatalities, the number of lost time accidents increased.

Consistent improvements have been made regarding; accident analysis, incident reporting, hazard recognition and safety leadership.

In 2010, the company recorded 56 lost time accidents, up from 48 in 2009. This resulted in an LTA frequency rate of 3.54 some way short of its improvement target for the year of 3.00 (figure 1). In total 2,090 days were lost, resulting in a severity rate of 0.13 compared to a rate of 0.08 in 2009 and short of the improvement target of 0.11 (figure 2).

Detailed analysis reveals differences in safety performance between the business units. Five business units out of 13 achieved or did better than their frequency rate target for the year while the remainder showed a lower performance. All lost time accidents are thoroughly analyzed and measures are implemented to prevent similar accidents in the future. Accident reports are made available to other sites through the company's intranet.

Root cause analysis indicates that about 50% of the lost time accidents can be explained by: ergonomics and working conditions, insufficient attention to safety, lack of housekeeping, unforeseen (often sudden) situations, and organizational aspects (e.g. lack of training).

The Umicore sites in Europe account for 80 % of the total number of LTAs while the Asia Pacific region and Americas only account for 9 % and 7 % respectively. The 2 sites in Africa count for 4 % of the LTA.The two countries with the highest number of LTAs are Belgium with 59 % and Germany with 11 %.

A total of 210 recordable injuries were reported. This is a significant reduction from the 2009 total of 352 recordable injuries. Twenty lost time accidents were registered for contractors compared to 11 in 2009.

Currently 20 production sites, up from 11 in 2009, are certified to OHSAS 18001.

FIGURE 1
Accident frequency rate
Umicore group

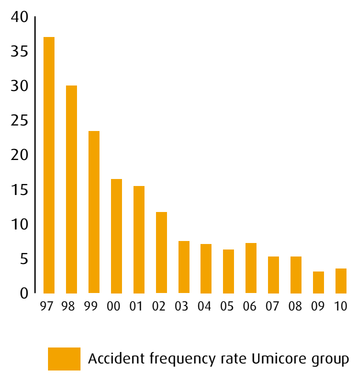
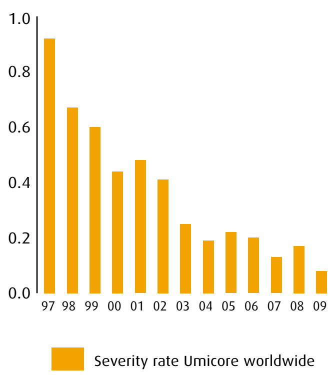



FIGURE 2
Severity rate Umicore
world-wide



## Vision 2015: Safety Breakthrough to Zero Accidents

As part of its integrated strategy, Vision 2015, Umicore has embarked upon a drive to realize a sustainable zero accident environment at all Umicore sites by 2015. To initiate this process a global Health and Safety conference was hosted at the Brussels headquarters in June 2010 with more than 90 health and safety and production managers present. At this conference Umicore mapped out five main areas for further development and focus:

- Leadership in workplace safety. This is principally the ability of the site management to inspire and re-focus individuals in their day to day safety efforts; leading by example.

- Training and education were found to be critical elements in ensuring employees undertaking risky practices are aware of all hazards and the correct procedures they need to follow.

- A great opportunity was identified in sharing best practices and standards across business units and sites.

- Resources and commitment are the fuel needed to sustain an improved level of safety and the driving force for all levels of management on targeting improved performance.

- Developing the guide for the sites to help them implement leading indicators and to better assess safety performance (e.g. the number of safety training hours).

The Group will be actively driving these focus areas to achieve a sustainable "zero accident" reality as part of Vision 2015. All business units have developed specific action plans aimed at reaching this overarching objective.

## Process safety

The implementation of hazard recognition and safeguard controls associated with the storage, handling and use of hazardous chemical substances are of key importance in reducing risks to employees, people in the neighbourhood of our operations and the environment. Follow-up on progress from 2009 included a survey on safe working practices related to the use of chlorine in sites where such substance is used.

Emergency preparedness plans are in place or are being implemented for 92 % of Umicore's production sites. The sites where such plans still need to be developed are mainly sites with low risk activities or sites recently acquired by the company.

# Achievement overview for 2006-2010 sustainable development objectives

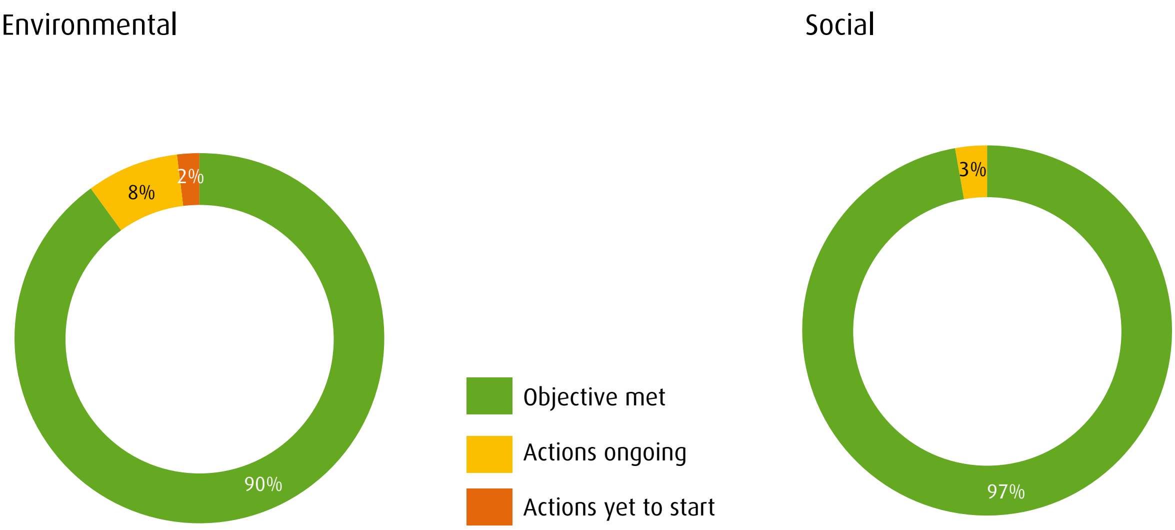
In 2006 Umicore introduced 10 sustainable development objectives to be achieved by the end of 2010. During the period 2006-2010 all Umicore sites and business units were required to develop and implement improvement plans addressing these environmental and social objectives. On the environmental front these consisted of emission reduction, environmental management system and compliance, impact assessment, energy efficiency and EHS product data sets. For the social aspects, the key areas were accountability to the local community, being a preferred employer, constructive dialogue and open communication, learning and development and finally equal opportunity (diversity, respect of human rights and the Umicore Code of Conduct).

Clear and significant progress has been made in the course of the five year period such that most units had reached the objectives at the end of 2010. The underlying aim – to raise the sites in the Group to a common level of awareness and management systems – has largely been accomplished. Inevitably, some objectives have proven to be more challenging to achieve than others and in certain cases the themes have been taken up in the next series of objectives as part of the company's Vision 2015 strategy.

In terms of the environmental objectives the improvement plans took various shapes across different sites. Practically all sites that were consolidated within Umicore in 2006 were able to meet the objectives while some recently-acquired sites will finalize the implementation of their action plans in the course of 2011.

The development of EHS datasets will continue in the coming years. In the context of the social objectives, nearly all sites met the objective of implementing the necessary site plans. The percentage of sites still implementing plans at the end of 2010 was very small with the highest level recorded for objective 3 on constructive internal dialogue where 6 % of sites had still to fully implement a plan. The rate of progress and overall completion levels for the social objectives between 2006 and 2010 has been highly satisfactory. At the beginning of the period many of the larger sites already had a firm grasp of most of the key issues and the focus of the objectives has been primarily to ensure a common understanding of key social issues across all sites – both large and small. This has been a success and all sites are now ready for the next wave of more quantified objectives.

## Final status of sustainable development objectives




The totals provided in the charts are the average combined scores for the social and environmental objectives respectively.
In the case of the environmental objectives this comprises an average of objectives 1 to 4 as it is not possible to aggregate the 5th objective.

Status: Fully completed / Underway / Not achieved

## ENVIRONMENTAL OBJECTIVES

| | | Status |
|---|---|---|
| **OBJECTIVE 1**<br>Emissions to air and water | In 2006 23% of sites had systematic mission reduction plans in place. By 2010 the vast majority of sites - 91% - had such plans in place and the foundations have been laid for further improvements. | 91% |
| **OBJECTIVE 2**<br>Environmental management system | Steady progress has been made since 2006 when 73% of sites had ISO 14001 and internal compliance systems in place. 88% of sites now have such systems in place and some recently acquired sites are working on their implementation. | 88% |
| **OBJECTIVE 3**<br>Soil and groundwater remediation risks | Very good progress was recorded with 96% of sites having reached the objective, up from 38% in 2006. A small number of sites are to complete the process in 2011. | 96% |
| **OBJECTIVE 4**<br>Energy efficiency | Although the completion was high at 86% (up from 40% in 2006) the implementation of energy efficiency plans has proven to be complex for the industrial sites. A $CO_2$ reduction objective has been introduced for the period 2011-2015. | 86% |
| **OBJECTIVE 5**<br>EHS data sets | The completion level increased from 1% in 2006 to 30% by 2010. The need to reallocate resources to meet the registration deadline of REACH legislation has led to a lower completion compared to other objectives. This objective will continue to be pursued to 2015. | 30% |

## SOCIAL OBJECTIVES

| | | Status |
|---|---|---|
| **OBJECTIVE 1**<br>Accountability to the local community | In 2006 only 29% of the sites reported that they had a plan in place to manage this responsibility in a systematic way. This percentage had reached 96% in 2010. | 96% |
| **OBJECTIVE 2**<br>Preferred employer | Most sites have taken concrete steps towards improving Umicore's reputation as an employer at a local level.<br>The completion moved from 22% in 2006 to 96% in 2010. | 96% |
| **OBJECTIVE 3**<br>Internal dialogue | 60% of sites already had plans in place in 2006.<br>This moved steadily to 94% by the end of 2010. | 94% |
| **OBJECTIVE 4**<br>Learning and development | Steady progress was made from a completion rate of 58% in 2006 to 97% in 2010. | 97% |
| **OBJECTIVE 5**<br>Equal opportunity and human rights | Strong progress was made on equal opportunities and diversity to a 100% completion level in 2010. Full compliance on human rights was already recorded in 2006. | 100% |

# Umicore Group 2010 Financial statements

## Contents

# Consolidated income statement

(EUR thousand)

| | Notes | 2009 | 2010 |
|---|---|---|---|
| Turnover | 8 | 6,937,425 | 9,691,109 |
| Other operating income | 8 | 73,226 | 55,107 |
| Operating income | | 7,010,651 | 9,746,216 |
| Raw materials and consumables | | (5,867,308) | (8,338,353) |
| Payroll and related benefits | 9 | (577,441) | (636,847) |
| Depreciation and impairments | 8 | (83,090) | (125,696) |
| Other operating expenses | 8 | (333,172) | (343,314) |
| Operating expenses | | (6,861,011) | (9,444,210) |
| Income from other financial investments | 11 | 488 | 977 |
| RESULT FROM OPERATING ACTIVITIES | | 150,127 | 302,983 |
| Financial income | 10 | 5,607 | 3,737 |
| Financial expenses | 10 | (34,946) | (27,854) |
| Foreign exchange gains and losses | 10 | (6,574) | 7,442 |
| Share in result of companies using the equity method | 16 | (8,973) | 21,022 |
| PROFIT (LOSS) BEFORE INCOME TAX | | 105,241 | 307,330 |
| Income taxes | 12 | (20,565) | (54,211) |
| PROFIT FROM CONTINUING OPERATIONS | | 84,676 | 253,119 |
| Profit (loss) from discontinued operations | | (4,187) | 0 |
| PROFIT (LOSS) OF THE PERIOD | | 80,489 | 253,119 |
| of which: Group share | | 73,815 | 248,727 |
| Minority share | | 6,674 | 4,392 |

(EUR)

| | Notes | 2009 | 2010 |
|---|---|---|---|
| Basic earnings per share from continuing operations | 37 | 0.69 | 2.20 |
| Total basic earnings per share | 37 | 0.66 | 2.20 |
| Diluted earnings per share from continuing operations | 37 | 0.69 | 2.19 |
| Total diluted earnings per share | 37 | 0.65 | 2.19 |
| Dividend per share | | 0.65 | 0.80* |

* proposed

The notes on pages 82 to 119 are an integral part of these consolidated financial statements.

# Consolidated statement of comprehensive income

(EUR thousand)

| | Notes | 2009 | 2010 |
|---|---|---|---|
| Profit (loss) of the period | | 80,489 | 253,119 |
| Changes in available-for-sale financial assets reserves | | 33,401 | 18,144 |
| Changes in cash flow hedge reserves | | (56,505) | (59,862) |
| Changes in post employment benefits, arising from changes in actuarial assumptions | | (12,263) | (11,043) |
| Changes in deferred taxes directly recognized in equity | | 21,824 | 22,538 |
| Changes in currency translation differences | | 39,163 | 78,629 |
| Other comprehensive income for the period | 22 | 25,619 | 48,406 |
| Total comprehensive income for the period | | 106,108 | 301,525 |
| of which : Group share | | 93,713 | 289,083 |
| Minority share | | 12,395 | 12,442 |

The deferred tax impact on the consolidated statement of comprehensive income is due to the cash flow hedge reserves for EUR 20.2 million and to employee benefit reserves for EUR 3.2 million.

The notes on pages 82 to 119 are an integral part of these consolidated financial statements.

# Consolidated balance sheet

(EUR thousand)

| | Notes | 31/12/09 | 31/12/10 |
|---|---|---|---|
| NON-CURRENT ASSETS | | 1,243,550 | 1,371,897 |
| Intangible assets | 13,14 | 138,957 | 169,497 |
| Property, plant and equipment | 15 | 763,790 | 804,510 |
| Investments accounted for using the equity method | 16 | 166,387 | 197,758 |
| Available-for-sale financial assets | 17 | 57,910 | 76,152 |
| Loans granted | 17 | 8,454 | 769 |
| Trade and other receivables | 19 | 11,950 | 14,416 |
| Deferred tax assets | 20 | 96,102 | 108,795 |
| CURRENT ASSETS | | 1,583,142 | 2,139,701 |
| Current loans granted | 17 | 6,859 | 50 |
| Inventories | 18 | 859,582 | 1,183,034 |
| Trade and other receivables | 19 | 523,293 | 811,500 |
| Income tax receivables | | 7,988 | 20,363 |
| Available-for-sale financial assets | 17 | 89 | 37 |
| Cash and Cash equivalents | 21 | 185,332 | 124,717 |
| **TOTAL ASSETS** | | **2,826,693** | **3,511,598** |
| EQUITY OF THE GROUP | | 1,366,727 | 1,575,242 |
| **Group shareholders' equity** | | **1,314,191** | **1,516,961** |
| Share capital and premiums | | 502,862 | 502,862 |
| Retained earnings | | 1,086,036 | 1,234,242 |
| Currency translation differences and other reserves | 22 | (96,351) | (55,541) |
| Treasury shares | | (178,356) | (164,602) |
| Minority interest | | 52,536 | 58,281 |
| NON-CURRENT LIABILITIES | | 516,144 | 551,828 |
| Provisions for employee benefits | 26 | 182,875 | 190,799 |
| Financial debt | 23 | 175,771 | 194,884 |
| Trade and other payables | 24 | 5,525 | 6,333 |
| Deferred tax liabilities | 20 | 31,381 | 43,702 |
| Provisions | 28, 29 | 120,593 | 116,111 |
| CURRENT LIABILITIES | | 943,821 | 1,384,528 |
| Financial debt | 23 | 186,103 | 290,195 |
| Trade and other payables | 24 | 676,493 | 1,022,423 |
| Income tax payable | | 29,138 | 21,664 |
| Provisions | 28, 29 | 52,086 | 50,246 |
| TOTAL EQUITY & LIABILITIES | | 2,826,693 | 3,511,598 |

The notes on pages 82 to 119 are an integral part of these consolidated financial statements.

# Consolidated statement of changes in equity

(EUR thousand)

| | Part of the Group | | | | | |
|---|---|---|---|---|---|---|
| | Share capital and premiums | Reserves | Currency translation and other reserves | Treasury shares | Minority interest | TOTAL EQUITY |
| **Balance at the beginning of previous period** | 502,862 | 1,084,601 | (119,048) | (177,732) | 41,670 | 1,332,353 |
| Result of the period | | 73,815 | | | 6,674 | 80,489 |
| Other comprehensive income for the period | | | 19,898 | | 5,721 | 25,619 |
| **Total comprehensive income for the period** | | 73,815 | 19,898 | | 12,395 | 106,108 |
| Changes in share-based payment reserves | | | 2,791 | | | 2,791 |
| Dividends | | (73,027) | | | (1,053) | (74,080) |
| Changes in treasury shares | | 647 | | (624) | | 23 |
| Changes in scope | | | 5 | | (475) | (470) |
| **Balance at the end of previous period** | 502,862 | 1,086,036 | (96,353) | (178,356) | 52,536 | 1,366,726 |
| Result of the period | | 248,727 | | | 4,392 | 253,119 |
| Other comprehensive income for the period | | | 40,356 | | 8,050 | 48,406 |
| **Total comprehensive income for the period** | | 248,727 | 40,356 | | 12,442 | 301,525 |
| Changes in share-based payment reserves | | | 4,018 | | | 4,018 |
| Dividends | | (110,140) | | | (1,062) | (111,202) |
| Transfers | | 9,619 | (3,561) | | (5,640) | 418 |
| Changes in treasury shares | | 0 | | 13,754 | | 13,754 |
| Changes in scope | | | (2) | | 4 | 1 |
| **Balance at the end of the financial year** | 502,862 | 1,234,242 | (55,541) | (164,602) | 58,281 | 1,575,242 |

The legal reserve of EUR 50,000 thousand which is included in the retained earnings is not available for distribution.

The share capital of the Group as at 31 December 2010 was composed of 120,000,000 shares with no par value.

The notes on pages 82 to 119 are an integral part of these consolidated financial statements.

# Consolidated statement of cash flow

(EUR thousand)

| | Notes | 2009 | 2010 |
|---|---|---|---|
| Profit from continuing operations | | 84,676 | 253,119 |
| Adjustments for profit of equity companies | | 8,973 | (21,022) |
| Adjustment for non-cash transactions | 32 | 118,845 | 90,099 |
| Adjustments for items to disclose separately or under investing and financing cash flows | 32 | 36,850 | 68,156 |
| Change in working capital requirement | 32 | 201,824 | (247,031) |
| **Cash flow generated from operations** | | **451,168** | **143,321** |
| Dividend received | | 4,563 | 8,077 |
| Tax paid during the period | | (5,070) | (47,283) |
| **NET CASH FLOW GENERATED BY (USED IN) OPERATING ACTIVITIES** | 32 | **450,660** | **104,115** |
| Acquisition of property, plant and equipment | 15 | (169,705) | (141,478) |
| Acquisition of intangible assets | 13 | (20,767) | (30,554) |
| Acquisition of / capital increase in associates | | (5,438) | (8,582) |
| Acquisition in additional shareholdings in subsidiaries | | (480) | 0 |
| Acquisition of financial assets | 17 | (5,161) | (380) |
| New loans extended | 17 | (11,547) | 0 |
| **Sub-total acquisitions** | | **(213,098)** | **(180,993)** |
| Disposal of property, plant and equipment | | 13,916 | 2,026 |
| Disposal of intangible assets | | (147) | 32 |
| Disposal of financial fixed assets | | 6,986 | 23 |
| Repayment of loans | 17 | 33 | 6,608 |
| **Sub-total disposals** | | **20,788** | **8,689** |
| **NET CASH FLOW GENERATED BY (USED IN) INVESTING ACTIVITIES** | 32 | **(192,310)** | **(172,305)** |
| Own shares | | 23 | 13,754 |
| Interest received | | 5,593 | 3,564 |
| Interest paid | | (20,630) | (15,014) |
| New loans (repayment of loans) | | (228,909) | 97,279 |
| Dividends paid to Umicore shareholders | | (73,765) | (108,807) |
| Dividends paid to minority shareholders | | (1,053) | (1,332) |
| **NET CASH FLOW GENERATED BY (USED IN ) FINANCING ACTIVITIES** | 32 | **(318,741)** | **(10,556)** |
| Effect of exchange rate fluctuations on cash held | | (4,979) | (4,856) |
| **NET CASH FLOW FROM CONTINUING OPERATIONS** | | **(65,370)** | **(83,601)** |
| Impact of change in scope on opening cash and cash equivalents | | 10 | 1,675 |
| **NET CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD** | 21 | **248,380** | **180,347** |
| Cash to discontinued operations | | (2,672) | |
| **NET CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | 21 | **180,347** | **98,421** |
| of which cash and cash equivalents | | 185,332 | 124,717 |
| of which bank overdrafts | | (4,985) | (26,296) |

The notes on pages 82 to 119 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 1-75 and 122-153, for the year ended 31 December 2010 were authorized for issue by the Board of Directors on 23 March 2011. 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

The Group presents its annual consolidated financial statements in accordance with all International Financial Reporting Standards (IFRS) adopted by the European Union (EU).

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.

The Group has adopted IAS 1 (revised), 'Presentation of Financial Statements'. The Group has elected to present two statements: an income statement and a statement of comprehensive income. The statement of changes in equity presents separately the non-owner and the owner related changes in equity.

## 2. Accounting policies

### 2.1 PRINCIPLES OF CONSOLIDATION AND SEGMENTATION

Umicore applies a full consolidation for its subsidiaries - entities over 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 5 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 recognized as goodwill. (see Section 2.6. Intangible Assets). If the Group's share in the fair value of the net assets exceeds the cost of acquisition, the excess is recognized immediately as a profit in the income statement.

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.

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

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 impairment.

Investments in companies that are not consolidated through the equity method or through the full consolidation method are recorded under "available-for-sale financial assets".

Note 16 lists all significant associates and joint ventures of the company as at the closing date.

Note 7 provides the Company's segment information, in line with IFRS 8. Umicore is organised in business units. Operating segments under IFRS 8 at Umicore are differentiated by their growth drivers in the area's of Catalysis, Energy Materials, Performance Materials and Recycling.

The Catalysis segment produces automotive catalysts for emission abatement in light and heavy duty vehicles as well as catalyst products used in chemical processes such as the fine- chemical and life science industries. These catalysts are mainly based on PGM metals. The Energy Materials segment is focused primarily on materials used in the growing markets of rechargeable batteries, in both portable electronics as well as in hybrid electric vehicles and solar energy. Its products are largely based on cobalt, germanium and indium. The Recycling segment recovers a large number of precious and other metals from a wide range of waste streams and industrial residues. The Recycling operations extend also to the production of jewellery materials (including recycling services) as well as the recycling of rechargeable batteries. The Performance Materials segment has a broad product portfolio used in various industries including construction, automotive, electrics and electronics. All these products apply precious metals or zinc to enhance specific product capabilities.

Operating segments are reported in a manner consistent with the internal reporting provided to the Board and the Executive Committee. The Executive Committee reviews the performance of the operating segments primarily based on Earnings before Interest and Tax (EBIT), Capital Employed and Return on Capital Employed.

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.

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

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.

### 2.2 INFLATION ACCOUNTING

For the reported period, there is no subsidiary in the Umicore Group having a functional currency belonging to a hyperinflationary 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 differences".

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale.

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 during the period in the functional currency of each entity at exchange rates prevailing at the date of transaction. The date of a transaction is the date at which the transaction first qualifies for recognition. For practical reasons a rate that approximates the actual rate at the date of the transaction is used at some operations, for example, an average rate for the week or the month in which the transactions occur.

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 a 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.

Borrowing costs that are directly attributable to investments are capitalized together with the costs of the assets in accordance with IAS 23. All borrowing costs that cannot be linked directly to an investment are recognized as expenses in the period when incurred.

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.

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. Umicore's PPE, being complex and highly customized industrial assets, typically do not have an individual resale value if put outside the overall context of the operations. Therefore no residual value is taken into account when determining the depreciable value.

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.

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.

## 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.

### 2.6.4 CO2 EMISSION RIGHTS

Within the framework of the Kyoto protocol, a second emission trading period started, covering 2008-2012. Therefore the Flemish Government granted emission rights to the Flemish sites of certain companies, including Umicore. Each year, at the end of February, one fifth of these emission rights is put on an official registry account. The release of emission rights to this registry account entails the capitalization in the intangible assets, which is in line with the guidance of the Belgian Accounting Standards Commission. Gains on the recognition of emission rights at fair value are deferred until the certificates are used. Emission rights owned are subject to impairment testing but are not depreciated. If, at a certain closing date, it appears that the closing market price is below the carrying value, a write-down is booked. At each closing date, the group estimates the actual use of rights for the period and recognizes a provision for the rights that will have to be restituted to the Government. The charge related to the impairment loss or the recognition of provisions are fully compensated in the income statement by the release of deferred revenue. Historically, Umicore owns the required rights to ensure its normal operating activities.

### 2.6.5 OTHER INTANGIBLE ASSETS

All of the following types are recorded at historical cost, less accumulated amortization and impairment losses :

- Concessions, patents, licenses: are amortized over the period of their legal protection.
- Software and related internal development costs: are typically amortized over a period of five years
- Land use rights: are typically amortized over the contractual period

## 2.7 LEASE

### 2.7.1 FINANCIAL LEASE

Leases under which the company assumes a substantial part of the risks and rewards of ownership are classified as financial 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. All payments or receipts under operating lease are recognized as an operating expense in the income statement using the straight-line method.

The group leases metals to and from third parties for specified periods for which the group receives or pays fees. Metal leases contracts are typically concluded for less than 1 year. The metal leases from and to third parties are reported as off-balance sheet commitments.

## 2.8 AVAILABLE-FOR-SALE FINANCIAL ASSETS, LOANS AND NON CURRENT RECEIVABLES

All movements in available-for-sale financial assets, loans and receivables are accounted for at trade date.

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 available-for-sale financial 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.

All write-downs are recorded on a separate account and are netted with the carrying amounts when all chances of recovery are depleted.

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 : ao permanently tied up metal inventories and commercially available metal inventories. Depending on the metal inventory category, appropriate hedging mechanisms are applied. A weighted average is applied per category of inventory.

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

Write-downs on inventories are recognized when turnover is slow or where the carrying amount is exceeding the net realizable value, meaning the estimated selling price less the estimated costs of completion and the estimated cost necessary to make the sale. 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. All write-downs are recorded on a separate account and are netted with the carrying amounts when all chances of recovery are depleted.

Trade receivables of which substantially all the risks and rewards have been transferred 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 amortized cost. Bank overdrafts are included in the current liabilities on the balance sheet.

## 2.12 IMPAIRMENT OF NON-FINANCIAL 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 that is attributable to third parties, together with the appropriate proportion of subsequent profits and losses.

In the income statement, the minority share in the Group's profit or loss is presented separately from the Group'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 environmental approach and applicable legal requirements. The full amount of the estimated obligation is recognized at the moment the event occurs. When the obligation is production/activity related, the provision is recognized gradually depending on normal usage/production level.

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

These include wages, salaries and social security contributions, paid annual leave and sick leave, bonuses and non-monetary benefits, and are taken as an expense in the relevant period. All company managers are eligible for bonuses that are based on indicators including personal performance and key financial targets. 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 comprehensive income 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 and share programs allow company employees and company senior management to acquire or obtain shares of the company. The option or share 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 from existing own shares. In both cases, the equity is increased by the amount of the proceeds received corresponding to the exercise price. For the share programs, shares are delivered to the beneficiaries from existing own shares

The options and shares 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. For the options, 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.

As long as the options granted have not been exercised, their value is reported in the Statement of Changes in Equity as 'share based payments reserve'. The value of the options exercised during the period is transferred to 'retained earnings'.

#### 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

All movements in financial liabilities are accounted for at trade date.

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 issue. Any differences between cost and redemption value are recognized in the income statement upon redemption.

### 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 and 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

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 fair value at trade date.

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 operating 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 obtaining fair value hedge accounting at inception 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 (see also note 2.22 - IAS 39 impact)

When there is a consistent practice of trading of metals through the use of commodity contracts by a dedicated subsidiary or a CGU of the Group and by which the entity takes delivery of the underlying commodity 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, the inventory is valued at fair value through the income statement and the related physical and / or commodity commitments are classified as derivatives and measured at fair value through the income statement.

#### 2.21.2 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. 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 cash flow hedging instrument expires, is sold, terminated, or if it is exercised before the underlying forecasted or committed transactions occurred, all profits or losses are maintained in equity until the hedged transactions occur.

When the underlying hedged transactions are no longer probable, the corresponding hedging instrument will immediately be terminated and all profits or losses including those which were deferred in equity, are immediately recognized in the income statement.

In the absence of obtaining cash-flow hedge accounting at inception as defined under IAS 39, then the fair value of the related hedging instruments is recognized in the income statement instead of the equity and this prior to the occurence of the underlying forecasted or committed transactions (see also note 2.22 - IAS 39 impact).

#### 2.21.3 EMBEDDED DERIVATIVES

Executory contracts (the "host contract") may sometimes contain embedded derivatives. Embedded derivatives cause some or all of the cash flows that would otherwise be expected from the host contract, to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, or other variable. If it is concluded that such a derivative is not closely related to the host contract, it is separated from the host contract and accounted for under the rules of IAS 39 (fair value through profit or loss). The host contract is accounted for using the rules applicable to executory contracts, which effectively means that such a contract is not recognized in the balance sheet or profit and loss before delivery on the contract takes place. (see also note 2.22 - IAS 39 impact)

### 2.22 NON-RECURRING RESULTS AND IAS 39 EFFECT

Non-recurring results relate primarily 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

IAS 39 effect relates to non-cash timing differences in revenue recognition due to the non-application of or non-possibility of obtaining IAS 39 hedge accounting at inception to :

a) 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.

b) Structural hedges, which implies that the fair value of the related hedging instruments are recognized in the income statement instead of equity and this prior to the occurrence of the underlying forecasted or committed transactions.

c) Derivatives embedded in executory contracts, which implies that fair value on the embedded derivatives are recognized in the income statement as opposed to the executory component where no fair value measurement is allowed.

Note 8 provides more details on these results.

# 3. 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.

## 3.1 CURRENCY RISK

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

### 3.1.1 STRUCTURAL RISK

A portion of Umicore's revenues are structurally related to the US dollar (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 metals prices, which have an impact 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.

At prevailing exchange rates at the end of 2010 and with regard to the non-metal price related structural USD exposure at the end of 2010, a strengthening of the USD by 1 US cent towards the Euro gives rise to an increase in revenues and operating result of slightly less than 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 USD and elements outside Umicore's control, such as the influence that the dollar exchange rate may have on dollar-denominated metals prices, movements in which have an effect on Umicore's earnings (see Metal Price Risk below). To a lesser extent, there is also a sensitivity to certain other currencies such as the Brazilian real, the Korean won, the Chinese Yuan and the South African rand.

Structural currency hedging

Umicore has no structural currency hedging in place relating to its non-metal-price-related currency sensitivity except for some specific Euro/NOK contracts at Umicore Norway and USD/KRW contracts at Umicore Korea.

### 3.1.2 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. The Group's policy is to hedge the transactional risk to the maximum extent possible, primarily through forward contracts.

### 3.1.3 TRANSLATIONAL RISK

Umicore is an international company and has foreign operations which do not have the Euro as their functional currency. When the results and the balance sheets of these operations are consolidated into Umicore's Group accounts the translated amount is exposed to variations in the value of such local currencies against the Euro, predominantly the USD, the Brazilian real, the Korean won, the Chinese yuan and the South African rand. Umicore principally does not hedge against such risk

## 3.2 METAL PRICE RISK

Umicore's metal price risk can be split into three distinct categories: structural, transactional and inventory risks

### 3.2.1 STRUCTURAL RISK

Umicore is exposed to structural metals-related price risks. Those risks relate mainly to the impact that metal prices have on surplus metals recovered from materials supplied for treatment or any other revenue component that fluctuates with the metal price. Umicore has a policy of hedging such metal price exposure if forward metal prices expressed in the functional currency of the concerned businesses 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 depends on the liquidity of the relevant markets.

The Recycling segment recycles platinum, palladium, rhodium, gold and silver and a wide range of other base and specialty metals. In this segment the short-term sensitivity of revenues and operating profits to metals prices is material. However, given the variability of the raw-material feed over time and the variable duration of the supply contracts negotiated, it is not suitable to provide a fixed sensitivity to any particular metal. In general terms, higher metals prices tend to be earnings enhancing for the Recycling business. Umicore also has a metal price sensitivity linked primarily to the revenue components that are metal price related in its other business segments (Catalysis, Energy Materials and Performance Materials), and depending the metals used in these segments. Also in these cases a higher metal price tends to carry short term benefits for the profitability of each business. However, other commercial conditions which are largely independent of the metals price, such as product premiums, are also significant and independent drivers of revenues and profitability. The impact of price changes for the other metals and at other segments is not of particular significance at Group level.

#### Structural metal price hedging

For some metals quoted on futures markets Umicore hedges part of its forward metal exposure. This hedging is based on documentation demonstrating a high probability of future metal price based cash flows originating from commercial contracts. In prior years Umicore hedged part of its forward metal exposure for 2010 and 2011. In the course of 2010, as a result of increased visibility on future commercial agreements, Umicore extended such hedges to cover part of the price risks for 2011, 2012 and 2013. These contracts relate primarily to recovery of platinum, palladium, gold, silver and zinc.

### 3.2.2 TRANSACTIONAL RISK

The Group faces transactional price risks on metals. The majority of its metal-based transactions use global metal market references, like the London Metal Exchange. If the underlying metal price were to be constant, the price Umicore pays for the metal contained in the raw materials purchased would be passed through to the customer as part of the price charged for the product. However, because of the lapse of time between the conversion of purchased raw materials into products and the sale of products, the volatility in the reference metal price creates differences between the price paid for the contained metal and the price received. Accordingly, there is a transactional exposure to any fluctuations in price between the moment raw materials are purchased (i.e., when the metal is "priced in") and the moment the products are sold (i.e., when the metal is "priced out").

The Group's policy is to hedge the transactional risk to the maximum extent possible, primarily through forward contracts.

### 3.2.3 METAL INVENTORY RISK

The group faces metal price risks on its permanently tied up metal inventories. This risk is related to the market metal price moving below the carrying value of these inventories. Umicore tends not to hedge against this risk

## 3.3 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 2010, the Group's gross financial debt stood at EUR 485.1 million. 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 interest at the beginning of 2011 corresponds to 65% of the total gross financial debt.

## 3.4 CREDIT RISK

#### Credit risk and concentration of credit risk

Credit risk is the risk of non-payment by any counterparty in relation to sales of goods or metal lease operations. In order to manage its 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. One global credit insurance contract has been put in place on a world-wide basis. This contract protects the group companies against insolvency, political and commercial risks with an individual deductible per invoice of 5%. The global indemnification cap is set at EUR 20 million per annum.

Umicore has determined that in a certain number of cases where the cost of credit insurance is disproportionate in relation to the risk to be insured, no credit coverage will be sought. This is primarily in those businesses with a significant level of customer concentration or those with a specific and close relationship with its customers.

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

Regarding its risk exposure to financial institutions like banks and brokers, Umicore is also establishing internal credit lines. Specific limits are set, per financial instrument, covering the various risks to which it is exposed when transacting with such counterparties.

### 3.5 LIQUIDITY RISK

Liquidity risk is addressed by maintaining a sufficient degree of diversification of funding sources. These include committed and uncommitted short-term bilateral bank facilities, a medium-term syndicated bank facility and a commercial paper programme (the maximum amount of which was increased to EUR 300 million in May 2006), in addition to the 8-year EUR 150 million bond issued in 2004.

### 3.6 TAX RISK

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

### 3.7 CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may for example adjust the amount of dividends paid to shareholders, return capital to shareholders, buy back its own shares or issue new shares.

The group monitors its capital structure primarily on the basis of the gearing ratio. The ratio is calculated as net financial debt divided by the sum of net financial debt and total Group equity. Net financial debt is calculated as non-current financial debt plus current financial debt less cash and cash equivalents.

The Group aims to retain the equivalent of an investment-grade credit rating. In this context, the Group's strategy in a normal operating environment is to maintain the gearing ratio at a level under 50%. The Group would consider exceeding this level for a short period in the case of an extraordinary event, such as a major acquisition. The gearing ratios at 31 December 2009 and 2010 were as follows (in EUR million):

| | 2009 | 2010 |
|---|---|---|
| Net financial debt | 176.5 | 360.4 |
| Equity | 1,366.7 | 1,575.2 |
| Total | 1,543.2 | 1,935.6 |
| Gearing ratio (%) | 11.4 | 18.6 |

The net financial debt at the end of 2010 was higher that at the end of 2009. The gearing is well within the company's accepted limits.

### 3.8 STRATEGIC AND OPERATIONAL RISKS

Umicore faces certain strategic and operational risks that are not necessarily financial in nature but which have the potential to impact the financial performance of the Group. These include technology risk, supply risk and the risk of product substitution by customers. Please refer to the Risk Management pages of the Corporate Governance section (page 134-137) for a description of these risks and an outline of Umicore's general approach to risk management.

## 4. Critical accounting estimates and judgments

Estimates and judgments used in developing and applying the consolidated entity's financial statements are continually evaluated and are based on historical experience and other factors, including the expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

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 critical estimates and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are listed below.

### 4.1 IMPAIRMENT OF GOODWILL

The recoverable amount of each cash generating unit is determined as the higher of the asset's fair value less costs to sell and its value in use in accordance with the accounting policy. These calculations, impairment testing, require the use of estimates and assumptions such as discount rates, exchange rates, commodity prices, future capital requirements and future operating performance. As at 31 December 2010 the carrying amount of the goodwill for the consolidated entity is EUR 97,489 thousand (EUR 93,046 thousand in 2009).

### 4.2 REHABILITATION OBLIGATIONS

Provision is made for the anticipated costs of future rehabilitation of industrial sites and surrounding areas to the extent that a legal or constructive obligation exists in accordance with accounting policy 2.15. These provisions include future cost estimates associated with reclamation, plant closures, waste site closures, monitoring, demolition, decontamination, water purification and permanent storage of historical residues. These future cost estimates are discounted to their present value. The calculation of these provision estimates requires assumptions such as application of environmental legislation, plant closure dates, available technologies and engineering cost estimates. A change in any of the assumptions used may have a material impact on the carrying value of rehabilitation provisions. As at 31 December 2010, the carrying amount of rehabilitation provisions is EUR 94,314 thousand (EUR 98,634 thousand in 2009).

### 4.3 DEFINED BENEFIT OBLIGATIONS

An asset or liability in respect of defined benefit plan is recognized on the balance sheet in accordance with accounting policy 2.16. The present value of a defined benefit obligation is dependent upon a number of factors that are determined on an actuarial basis. The consolidated entity determines the appropriate discount rate to be used at the end of each year. The consolidated entity's employee benefit obligations are discussed in more detail in Note 26. At 31 December 2010, a liability with respect to employee benefit obligations of EUR 190,800 thousand was recognized (EUR 182,874 thousand in 2009).

### 4.4 RECOVERY OF DEFERRED TAX ASSETS

Deferred tax assets are recognized for deductible temporary differences, unused tax losses and fair value reserves entries only if it is probable that future taxable profits (based on Group operational plans) are available to use those temporary differences and losses. The actual tax results in future periods may differ from the estimate made at the time the deferred taxes are recognized.

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

# 5. Group companies

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

| | | % interest 2010 |
|---|---|---|
| Argentina | Umicore Argentina S.A. | 100.00 |
| Australia | Umicore Australia Ltd. | 100.00 |
| | Umicore Marketing Services Australia Pty Ltd. | 100.00 |
| Austria | Oegussa GmbH | 91.29 |
| Belgium | Umicore Financial Services (BE 0428.179.081) | 100.00 |
| | Umicore Autocatalyst Recycling Belgium N.V. (BE 0466.261.083) | 100.00 |
| | Umicore Marketing Services Belgium (BE 0402.964.625) | 100.00 |
| | Umicore Abrasives (BE 0881.426.726) | 100.00 |
| | Umicore Specialty Materials Brugge (BE 0405.150.984) | 100.00 |
| Brazil | Coimpa Industrial Ltda | 100.00 |
| | Umicore Brasil Ltda | 100.00 |
| | Clarex Ltda | 100.00 |
| Canada | Umicore Canada Inc. | 100.00 |
| | Umicore Autocat Canada Corp. | 100.00 |
| | Imperial Smelting & Refining Co. of Canada Ltd. | 100.00 |
| China | Umicore Hunan Fuhong Zinc Chemicals Co., Ltd. | 100.00 |
| | Umicore Marketing Services (Shanghai) Co., Ltd. | 100.00 |
| | Umicore Marketing Services (Hong Kong) Ltd. | 100.00 |
| | Umicore Shanghai Co., Ltd. | 75.00 |
| | Umicore Autocat (China) Co. Ltd. | 100.00 |
| | Umicore Technical Materials (Suzhou) Co., Ltd. | 100.00 |
| | Umicore Technical Materials (Yangzhong) Co., Ltd. | 100.00 |
| | Umicore Optical Materials (Kunming) Co., Ltd. | 100.00 |
| | Umicore Optical Materials (Yunnan) Co., Ltd. | 100.00 |
| | Umicore Jubo Thin Film Products (Beijing) Co., Ltd. | 80.00 |
| | Umicore Jewellery Material Processing (Foshan) Co., Ltd. | 91.21 |
| France | Umicore France S.A.S. | 100.00 |
| | Umicore Building Products France S.A.S | 100.00 |
| | Umicore Climeta S.A.S. | 100.00 |
| | Umicore IR Glass S.A.S. | 100.00 |
| | Umicore Marketing Services France S.A.S. | 100.00 |
| | Umicore Autocat France S.A.S. | 100.00 |
| Germany | Umicore AG & Co. KG (*) | 100.00 |
| | Umicore Bausysteme GmbH | 100.00 |
| | Umicore Metalle & Oberflächen GmbH | 100.00 |
| | Allgemeine Gold- und Silberscheideanstalt AG | 91.21 |
| | Umicore Galvanotechnik GmbH | 91.21 |
| | Umicore Mining Management GmbH | 100.00 |
| Hungary | Umicore Building Products Hungary kft. | 100.00 |
| Italy | Umicore Building Products Italia s.r.l. | 100.00 |
| | Italbras S.p.A. | 100.00 |
| Japan | Umicore Japan KK | 100.00 |
| Korea | Umicore Korea Ltd. | 100.00 |
| | Umicore Marketing Services Korea Co., Ltd. | 100.00 |
| Liechtenstein | Umicore Thin Film Products AG | 100.00 |
| Luxemburg | Umicore Finance Luxembourg | 100.00 |
| | Umicore Autocat Luxembourg | 100.00 |
| Malaysia | Umicore Malaysia Sdn Bhd | 100.00 |
| Netherlands | Schöne Edelmetaal BV | 91.21 |
| | Umicore Nederland BV | 100.00 |
| Norway | Umicore Norway AS | 100.00 |
| Philippines | Umicore Specialty Chemicals Subic Inc. | 78.20 |
| Poland | Umicore Building Products Polska | 100.00 |
| Portugal | Umicore Portugal S.A. | 100.00 |
| | Umicore Marketing Services Lusitana Metais Lda | 100.00 |
| South Africa | Umicore South Africa (Pty) Ltd. | 100.00 |
| | Umicore Autocat South Africa (Pty) Ltd. | 55.00 |
| | Umicore Marketing Services Africa (Pty) Ltd. | 100.00 |
| | Umicore Catalyst South Africa (Pty) Ltd. | 100.00 |
| Spain | Umicore Building Products Iberica S.L. | 100.00 |
| Sweden | Umicore Autocat Sweden AB | 100.00 |
| Switzerland | Umicore Switzerland Strub | 100.00 |
| | Allgemeine Suisse SA | 91.21 |
| Taiwan | Umicore Thin Fim Products Taiwan Co Ltd | 100.00 |
| United Kingdom | Umicore Coating Services Ltd. | 100.00 |
| | Umicore Marketing Services 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 |
| | Umicore Technical Materials North America | 100.00 |
| | Umicore Cobalt and Specialty Materials North America | 100.00 |

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.

(*) As a result of the integration of Umicore AG & Co. KG in the consolidated accounts of Umicore which is compliant with the Section 325 of the German Commercial Code (HGB), this company is exempted from issuing consolidated financial statements according to Article 264b of the German Commercial Code.

## 6. 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 (Ireland) where the functional currency is the US dollar.

| | | Closing rates | | Average rates | |
|---|---|---|---|---|---|
| | | 2009 | 2010 | 2009 | 2010 |
| American Dollar | USD | 1.44060 | 1.33620 | 1.39478 | 1.32572 |
| UK Pound Sterling | GBP | 0.88810 | 0.86075 | 0.89094 | 0.85784 |
| Canadian Dollar | CAD | 1.51280 | 1.33220 | 1.58496 | 1.36511 |
| Swiss Franc | CHF | 1.48360 | 1.25040 | 1.51002 | 1.38034 |
| Japanese Yen | JPY | 133.16000 | 108.65000 | 130.33660 | 116.23857 |
| Brazilian Real | BRL | 2.50837 | 2.22638 | 2.78623 | 2.33360 |
| South African Rand | ZAR | 10.66600 | 8.86250 | 11.67366 | 9.69843 |
| Chinese Yuan | CNY | 9.83500 | 8.82200 | 9.52771 | 8.97123 |
| Korean Won (100) | KRW | 16.66970 | 14.99060 | 17.72904 | 15.31821 |

## 7. Segment information

PRIMARY SEGMENT INFORMATION 2009 (by business group)

(EUR thousand)

| | Catalysis | Energy Materials | Performance Materials | Recycling | Corporate & Unallocated | Eliminations | Total |
|---|---|---|---|---|---|---|---|
| **Total segment turnover** | **1,187,139** | **547,402** | **952,149** | **4,784,817** | **17,890** | **(551,971)** | **6,937,425** |
| of which external turnover | 1,155,658 | 541,447 | 899,439 | 4,322,992 | 17,890 | 0 | 6,937,425 |
| of which inter-segment turnover | 31,481 | 5,955 | 52,710 | 461,825 | 0 | (551,971) | 0 |
| **Operating result** | **20,212** | **24,268** | **37,034** | **109,831** | **(41,218)** | **0** | **150,127** |
| Recurring | 23,806 | 16,494 | 35,808 | 117,662 | (41,264) | 0 | 152,505 |
| Non-recurring | (4,964) | 815 | 10,798 | (8,686) | 47 | 0 | (1,991) |
| IAS 39 effect | 1,371 | 6,959 | (9,572) | 855 | 0 | 0 | (387) |
| **Equity method companies** | **(7,060)** | **7,389** | **1,482** | **(0)** | **(10,783)** | **0** | **(8,972)** |
| Recurring | (7,083) | 7,389 | 775 | 0 | (7,182) | 0 | (6,101) |
| Non-recurring | 23 | 0 | (5,833) | 0 | (3,601) | 0 | (9,411) |
| IAS 39 effect | 0 | 0 | 6,540 | (0) | 1 | 0 | 6,540 |
| **Net financial cost** | | | | | **(35,913)** | **0** | **(35,913)** |
| Income taxes | | | | | (20,565) | 0 | (20,565) |
| Minority interest | | | | | (6,675) | 0 | (6,675) |
| Net profit for the year | | | | | 78,002 | 0 | 78,002 |
| **Consolidated total assets** | **698,826** | **513,474** | **727,101** | **727,556** | **443,085** | **(283,350)** | **2,826,693** |
| Segment assets | 664,392 | 488,498 | 628,415 | 727,556 | 434,795 | (283,350) | 2,660,306 |
| Investments in associates | 34,434 | 24,977 | 98,686 | 0 | 8,291 | 0 | 166,387 |
| **Consolidated total liabilities** | **170,137** | **187,921** | **212,473** | **451,335** | **2,093,538** | **(288,710)** | **2,826,693** |
| **Capital expenditure** | **46,035** | **50,953** | **23,878** | **54,916** | **14,691** | **0** | **190,472** |
| **Depreciation and amortization** | **22,806** | **20,802** | **24,614** | **40,454** | **7,630** | **0** | **116,306** |
| **Impairment losses/ (Reversal of impairment losses)** | **(1,078)** | **(7,677)** | **(23,588)** | **(2,280)** | **1,146** | **0** | **(33,476)** |

SECONDARY SEGMENT INFORMATION (by geographical area)

(EUR thousand)

| | Europe | of which Belgium | Asia-Pacific | North America | South America | Africa | Total |
|---|---|---|---|---|---|---|---|
| Total segment turnover | 4,973,154 | 879,771 | 651,408 | 840,122 | 235,549 | 237,193 | 6,937,425 |
| Total non current assets | 794,281 | 227,975 | 124,449 | 88,632 | 45,474 | 16,299 | 1,069,134 |
| Capital expenditure | 126,150 | 77,853 | 24,953 | 29,189 | 7,211 | 2,970 | 190,472 |

PRIMARY SEGMENT INFORMATION 2010 (by business group)

(EUR thousand)

| | Catalysis | Energy Materials | Performance Materials | Recycling | Corporate & Unallocated | Eliminations | Total |
|---|---|---|---|---|---|---|---|
| **Total segment turnover** | **1,581,633** | **707,346** | **1,401,589** | **7,269,112** | **23,202** | **(1,291,773)** | **9,691,109** |
| of which external turnover | 1,548,336 | 702,344 | 1,296,325 | 6,120,902 | 23,202 | 0 | 9,691,109 |
| of which inter-segment turnover | 33,297 | 5,002 | 105,264 | 1,148,210 | 0 | (1,291,773) | 0 |
| **Operating result** | **68,584** | **37,358** | **57,862** | **182,207** | **(43,028)** | **0** | **302,983** |
| Recurring | 72,931 | 38,214 | 52,051 | 195,469 | (46,261) | | 312,404 |
| Non-recurring | (1,449) | (539) | 2,265 | (6,825) | 3,233 | | (3,315) |
| IAS 39 effect | (2,898) | (317) | 3,546 | (6,437) | 0 | | (6,106) |
| **Equity method companies** | **3,768** | **5,718** | **20,756** | **0** | **(9,220)** | **0** | **21,022** |
| Recurring | 4,779 | 5,718 | 23,159 | 0 | (3,523) | | 30,133 |
| Non-recurring | 0 | 0 | (137) | 0 | (5,697) | | (5,834) |
| IAS 39 effect | (1,011) | 0 | (2,266) | 0 | 0 | | (3,277) |
| Net financial cost | | | | | (16,675) | | (16,675) |
| Income taxes | | | | | (54,211) | | (54,211) |
| Minority interest | | | | | (4,392) | | (4,392) |
| **Net profit for the year** | | | | | **248,727** | | **248,727** |
| **Consolidated total assets** | **928,703** | **612,843** | **911,727** | **1,088,759** | **432,019** | **(462,453)** | **3,511,598** |
| Segment assets | 885,330 | 584,951 | 785,046 | 1,088,759 | 432,207 | (462,453) | 3,313,840 |
| Investments in associates | 43,374 | 27,892 | 126,680 | 0 | (188) | 0 | 197,758 |
| **Consolidated total liabilities** | **283,188** | **229,168** | **312,667** | **662,882** | **2,490,353** | **(466,659)** | **3,511,598** |
| **Capital expenditure** | **45,711** | **38,308** | **23,852** | **50,327** | **13,809** | **0** | **172,006** |
| **Depreciation and amortization** | **26,938** | **23,518** | **26,044** | **41,202** | **8,465** | **0** | **126,167** |
| **Impairment losses/ (Reversal of impairment losses)** | **(3,548)** | **151** | **(1,881)** | **4,146** | **276** | **(0)** | **(856)** |

SECONDARY SEGMENT INFORMATION (by geographical area)

(EUR thousand)

| | Europe | of which Belgium | Asia-Pacific | North America | South America | Africa | Total |
|---|---|---|---|---|---|---|---|
| Total segment turnover | 6,953,497 | 474,294 | 985,601 | 1,074,194 | 387,774 | 290,044 | 9,691,109 |
| Total non current assets | 854,554 | 269,611 | 162,301 | 95,169 | 55,179 | 18,606 | 1,185,809 |
| Capital expenditure | 114,641 | 73,620 | 23,171 | 17,878 | 12,927 | 3,388 | 172,006 |

Segment information is presented in respect of the Group's business segments as defined below.

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 reporting segments:

### Catalysis

The segment comprises the Automotive Catalysts and Precious Metals Chemistry business units. Their activities centre on the development and production of catalyst formulations and systems that are used to abate emissions from combustion engines, as well as in chemical and life science applications.

### Energy Materials

The segment comprises the Cobalt & Specialty Materials, Electro-Optic Materials and Thin Film Products business units. These units develop and produce materials that are primarily used in energy storage (rechargeable batteries) and the production of clean energy. The refining of metals used in these applications and coming from secondary sources belongs to the scope of activity of these units.

### Performance Materials

The segment comprises the Building Products, Electroplating, Platinum Engineered Materials, Technical Materials and Zinc Chemicals business units. These units develop and produce functional materials that are used in decorative, electronic, electrical, high purity glass and construction applications, mainly. The Zinc Chemicals business unit also recycles secondary zinc products to secure part of its supply requirements. The segment also includes Umicore's shareholding in Element Six Abrasives.

### Recycling

The segment consists of the business units Precious Metals Refining, Jewellery & Industrial Metals, Precious Metals Management and Battery Recycling. Their activities focus on the recycling of end-of-life products and the refining of industrial residues which contain precious and special metals.

### Corporate

Corporate covers corporate activities, shared operational functions and the Group's Research, Development & Innovation unit, which includes the Fuel Cells development program.

This disclosure only refers to continuing operations except for the balance sheet figures. In the secondary segment information, the figures presented as non current assets exclude the amounts for long term investments, non-current loans granted, non-current receivables, deferred tax assets and assets for employee benefits as required by IFRS 8. Performance of the segments is reviewed by the chief operating decision maker based on the recurring EBIT / operating result. As illustrated in the table above, the difference between the recurring EBIT / operating result and the operating result as presented in the Income Statement consists in the non-recurring EBIT / operating result and the IAS 39 effect for which definitions are given in the glossary.

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

# 8. Result from operating activities

| (EUR thousand) | 2009 | 2010 |
|---|---|---|
| **TURNOVER (1)** | | |
| Sales | 6,839,182 | 9,626,205 |
| Services | 98,243 | 64,904 |
| Turnover | 6,937,425 | 9,691,109 |
| **OTHER OPERATING INCOME (2)** | 73,226 | 55,107 |
| **DEPRECIATION AND IMPAIRMENT RESULT (3)** | | |
| Depreciation of fixed assets | (116,306) | (126,167) |
| Impairment loss on fixed assets | 57 | (4,745) |
| Inventory and bad debt provisions | 33,158 | 5,215 |
| Depreciation and impairment result | (83,091) | (125,696) |
| **OTHER OPERATING EXPENSES (4)** | | |
| Services and outsourced refining and production costs | (320,476) | (328,365) |
| Royalties, licence fees, consulting and commissions | (22,379) | (15,342) |
| Other operating expenses | (690) | (9,007) |
| Increase and decrease in provisions | (11,518) | (16,659) |
| Use of provisions | 26,799 | 28,954 |
| Capital losses on disposal of assets | (4,910) | (2,893) |
| | (333,174) | (343,314) |

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

(2) Other operating income mainly includes re-invoicing of costs to third parties (EUR 49.5 million), gains on disposals of fixed assets (EUR 1.0 million), operating grants (EUR 4.9 million), the IAS 39 impact on financial instruments (EUR –2.7 million) and other income of EUR 1.5 million linked to the sale of the gold mining concession in Guinea by Umicore in 1992;

(3) Inventory and bad debt provisions are mainly due to reversals of bad debt provisions

(4) R&D expenses for the Group in 2010 amounted to EUR 134.9 million (EUR 135.7 million in 2009), of which EUR 120.3 million originated in the fully consolidated companies (EUR 119.5million in 2009). EUR 14.9 million of these expenses have been capitalized as intangible assets.

## NON-RECURRING RESULTS AND IAS 39 IMPACT INCLUDED IN THE OPERATING RESULTS

(EUR thousand)

| | 2009 | | | | 2010 | | | |
|---|---|---|---|---|---|---|---|---|
| | Total | Non-recurring | IAS 39 effect | Recurring | Total | Non-recurring | IAS 39 effect | Recurring |
| Turnover | 6,937,425 | 115 | (31,503) | 6,968,813 | 9,691,109 | 1,311 | 0 | 9,689,798 |
| Other operating income | 73,226 | 4,842 | 998 | 67,386 | 55,107 | 2,745 | (2,651) | 55,013 |
| **Operating income** | **7,010,651** | **4,957** | **(30,505)** | **7,036,199** | **9,746,216** | **4,056** | **(2,651)** | **9,744,811** |
| Raw materials and consumables used | (5,867,308) | (134) | 0 | (5,867,174) | (8,338,353) | (1,045) | (811) | (8,336,497) |
| Payroll and related benefits | (577,441) | (1,944) | 0 | (575,497) | (636,847) | 644 | 0 | (637,491) |
| Depreciation and impairment results | (83,090) | 23,854 | 11,290 | (118,234) | (125,696) | (3,705) | (570) | (121,421) |
| Other operating expenses | (333,172) | (29,128) | 18,828 | (322,872) | (343,314) | (3,915) | (2,074) | (337,325) |
| **Operating expenses** | **(6,861,011)** | **(7,352)** | **30,118** | **(6,883,777)** | **(9,444,210)** | **(8,021)** | **(3,455)** | **(9,432,734)** |
| **Income from other financial investments** | **489** | **405** | **0** | **84** | 977 | 650 | 0 | 327 |
| RESULT FROM OPERATING ACTIVITIES | **150,129** | **(1,990)** | **(387)** | **152,506** | **302,983** | **(3,315)** | **(6,106)** | **312,404** |

Non-recurring operating result totaled -EUR -3.3 million, composed of restructuring provisions for EUR -4.6 million, mainly related to the transfer of Recycling activities in Hanau, Germany, to Hoboken, Belgium, and an increase of environmental provisions for EUR -3.8 million, of which EUR -1.1 million in Recycling, EUR -1.4 million in Energy Materials and EUR -1.4 million in Corporate. This was partially offset by the positive impact of EUR 5.1 million, mainly related to the reversals of certain provisions taken in the past and other one-off elements, predominantly at the level of Corporate.

IAS 39 accounting rules had a negative effect on the operating result of EUR 6.1 million. The impact concerns timing differences imposed by IFRS that relate primarily to transactional and structural metal and currency hedges. All IAS 39 impacts are of non-cash in nature.

# 9. Payroll and related benefits

(EUR thousand)

| | Notes | 2009 | 2010 |
|---|---|---|---|
| **PAYROLL AND RELATED BENEFITS** | | | |
| Wages, salaries and direct social advantages | | (420,405) | (451,581) |
| Employer's social security and defined benefit contributions | | (121,862) | (128,992) |
| Other charges for personnel | | (16,966) | (39,025) |
| Temporary staff | | (8,158) | (10,418) |
| Contribution to defined contribution plan | | (6,575) | (7,725) |
| Employer's voluntary contributions (other) | | (1,606) | (1,653) |
| Share-based payments | | (2,791) | (4,018) |
| Pensions paid directly to beneficiaries | | (5,747) | (5,362) |
| Provisions for employee benefits (-increase / + use and reversals) | | 6,668 | 11,928 |
| | | (577,442) | (636,847) |
| **AVERAGE HEADCOUNT IN CONSOLIDATED COMPANIES** | | | |
| Executives and managerial staff | | 1,723 | 1,714 |
| Non managers | | 7,990 | 7,722 |
| TOTAL | | 9,713 | 9,436 |
| **FAIR VALUES OF THE OPTIONS GRANTED** | | | |
| Number of stock options granted | 27 | 734,875 | 691,750 |
| Valuation model | | Present Economic Value | |
| Assumed volatility (% pa) | | 30 | 30 |
| Risk-free interest rate (% pa) | | 3.75 | 2.85 |
| Dividend increase (% pa) | | 0.10 | 0.10 |
| Rate of pre-vesting forfeiture | | NA | NA |
| Rate of post-vesting leaving (% pa) | | 5.00 | 5.00 |
| Minimum gain threshold (% pa) | | 50.00 | 50.00 |
| Proportion who exercise given minimum gain achieved (% pa) | | 30.00 | 30.00 |
| Fair value per granted instrument determined at the grant date (EUR) | | 3.08 | 5.14 |
| Total fair value of the options granted (EUR thousand) | | 2,261 | 3,556 |
| Adjustments fair value older plans | | 616 | |
| **FAIR VALUES OF THE SHARES GRANTED** | | | |
| Provisional amount for share based payments | | (500) | |
| 29,000 shares granted at 13.05 EUR | | 378 | |
| 2,500 shares granted at 13.32 EUR | | 33 | |
| 250 shares granted at 12.81 EUR | | 3 | |
| 15,000 shares granted at 22.018 EUR | | | 330 |
| 3,000 shares granted at 22.15 EUR | | | 66 |
| 3,000 shares granted at 21.975 EUR | | | 66 |
| Total fair value of shares granted | | (86) | 462 |

The Group recognized a share-based payment expense of EUR 4,018 thousand during the year.

The part of this expense related to stock options 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. No other market condition has been included on the basis of calculation of fair market value.

The free share part of the expense is valued at the market price of the shares at the grant date. In 2010, shares have been granted to top management resulting in an extra charge of EUR 462 thousand.

# 10. Finance cost - net

(EUR thousand)

| | 2009 | 2010 |
|---|---|---|
| Interest income | 5,352 | 3,188 |
| Interest expenses | (18,456) | (15,800) |
| Discounting of non-current provisions | (13,270) | (8,262) |
| Foreign exchange gains and losses | (6,574) | 7,442 |
| Other financial income | 255 | 549 |
| Other financial expenses | (3,220) | (3,792) |
| | (35,913) | (16,675) |

The net interest charge in 2010 totalled EUR 12,612 thousand. This is in line with the EUR 13,104 thousand of 2009.

The discounting of non-current provisions relates mainly to employee benefits and, to a lesser extent to environmental provisions. This amount is influenced by the present value of these liabilities, which in turn is influenced by changes in the discount rate, by the cash-out profile and by the recognition of new non-current liabilities. Most of the discounting results in 2010 are booked in Belgium, Germany and France.

Foreign exchange results include realized exchange results and the unrealized translation adjustments on monetary items using the closing rate of the period.

They also include fair value gains and losses on other currency financial instruments (see Note 31).

Other financial expenses include payment discounts, bank expenses and other financial fees incurred.

## 11. Income from other financial investments

(EUR thousand)

| | 2009 | 2010 |
|---|---|---|
| Capital gains and losses on disposal of financial investments | (8) | 8 |
| Dividend income | 220 | 566 |
| Interest income from financial assets | 17 | 19 |
| Impairment results on financial investments | 260 | 385 |
| | 489 | 977 |

## 12. Income taxes

(EUR thousand)

| | 2009 | 2010 |
|---|---|---|
| INCOME TAX EXPENSE | | |
| Recognized in the income statement | | |
| Current income tax | (20,493) | (28,481) |
| Deferred income tax | (71) | (25,730) |
| Total tax expense | (20,565) | (54,211) |
| | | |
| Relationship between tax expense (income) and accounting profit | | |
| Result from operating activities | 150,127 | 302,983 |
| Financial result | (35,913) | (16,675) |
| Profit (loss) before income tax of consolidated companies | 114,214 | 286,308 |
| Weighted average theoretical tax rate (%) | (28.20) | (30.88) |
| Income tax calculated at the weighted average theoretical tax rate | (32,213) | (88,421) |
| | | |
| TAX EFFECT OF: | | |
| Expenses not deductible for tax purposes | (10,106) | (5,649) |
| Tax-exempted revenues | 6,679 | 4,939 |
| Tax-exempt dividends from consolidates companies & Associates | (3,048) | 1,607 |
| Gains & Losses taxed at a reduced rate | 0 | 52 |
| Tax incentives deductible from the taxable base | 24,377 | 20,762 |
| Tax computed on other basis | 3,547 | (1,958) |
| Utilisation of previously unrecognised tax losses | 2,215 | 24,803 |
| Write down (or rev. of prev. write down) of DTA | (19,904) | (3,934) |
| Change in applicable tax rate | 559 | (121) |
| Tax holidays | 2,816 | 4,184 |
| Tax credits received (excluding R&D tax credits) | 312 | 78 |
| Non recoverable foreign withholding taxes | (2,192) | (3,764) |
| Previous years adjustments | 6,530 | (7,100) |
| Other | (137) | 311 |
| Tax expense at the effective tax rate for the year | (20,565) | (54,211) |

The figures for the prior year have been restated to fit to the new layout, adapted to meet more precisely the IAS 12 requirements.

The weighted average theoretical tax rate has evolved from 28.20% in 2009 to 30.88% in 2010. This is mainly linked to the geographical spread in earnings generation.

Excluding the impact of non-recurring items and the IAS 39 effect, the recurring effective tax rate for 2010 is 19.1% This was slightly below the level of 2009 as a result of the slight change in the geographical spread of earnings and the net positive impact of tax credits.

# 13. Intangible assets other than goodwill

(EUR thousand)

| | Development expenses capitalised | Concessions, patents, licences, etc. | Software | CO2 emission rights | Other intangible assets | Total |
|---|---|---|---|---|---|---|
| At the beginning of previous year | | | | | | |
| Gross value | | 2,606 | 70,608 | 6,305 | 15,508 | 95,028 |
| Accumulated amortization | | (2,042) | (55,850) | (1,611) | (5,109) | (64,612) |
| Net book value at the beginning of previous year | 0 | 564 | 14,759 | 4,694 | 10,399 | 30,417 |
| . additions | 8,864 | 17 | 1,287 | 0 | 10,599 | 20,767 |
| . disposals | | 0 | (65) | 0 | (267) | (332) |
| . amortization charged (included in "Depreciation and impairments") | | (370) | (5,979) | | (293) | (6,642) |
| . impairment losses recognized (included in "Depreciation and impairments") | | 0 | (103) | 0 | 0 | (103) |
| . reversal of impairment losses (included in "Depreciation and impairments") | | 0 | 0 | 370 | 0 | 370 |
| . emission rights allowances | | | | (585) | | (585) |
| . translation differences | (7) | 1 | 248 | 0 | (33) | 208 |
| . other movements | | 616 | 8,096 | 0 | (6,895) | 1,816 |
| At the end of previous year | 8,857 | 826 | 18,243 | 4,479 | 13,509 | 45,914 |
| Gross value | 8,857 | 11,126 | 80,449 | 4,479 | 18,806 | 123,717 |
| Accumulated amortization | | (10,300) | (62,206) | 0 | (5,298) | (77,804) |
| Net book value at the end of previous year | 8,857 | 826 | 18,243 | 4,479 | 13,509 | 45,914 |
| . additions | 14,914 | 5 | 8,880 | 0 | 6,755 | 30,554 |
| . amortization charged (included in "Depreciation and impairments") | (243) | (121) | (6,432) | | (234) | (7,030) |
| . impairment losses recognized (included in "Depreciation and impairments") | (184) | 0 | (8) | 0 | 0 | (192) |
| . emission rights allowances | | | | 1,761 | | 1,761 |
| . translation differences | 73 | 1 | 253 | 0 | 16 | 343 |
| . other movements | 0 | 323 | 696 | 0 | (362) | 657 |
| At the end of the year | 23,418 | 1,035 | 21,631 | 6,240 | 19,684 | 72,007 |
| Gross value | 20,970 | 11,018 | 89,957 | 6,238 | 28,026 | 156,210 |
| Accumulated amortization | (425) | (9,981) | (68,326) | 0 | (5,469) | (84,202) |
| NET BOOK VALUE | 20,545 | 1,037 | 21,631 | 6,238 | 22,557 | 72,007 |

“Additions” are mainly explained by capitalized expenses in new information systems and internally generated development costs. EUR 17,505 thousand are linked to own productions, of which EUR 14.9 million are development costs and EUR 2.6 million are information systems projects . The part of information system projects that were not finalized at 31/12/2010 are reported as intangible assets in progress, included in “Other intangible assets”.

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

# 14. Goodwill

(EUR thousand)

| | 31/12/2009 | 31/12/2010 |
|---|---|---|
| At the end of the previous year | | |
| Gross value | 94,458 | 95,548 |
| Accumulated impairment losses | (1,798) | (2,502) |
| NET BOOK VALUE OF THE PREVIOUS YEAR | 92,660 | 93,046 |
| . adjustment from subsequent identification of fair value of assets and liabilities | (218) | 0 |
| . impairment losses (included in "Depreciation and impairment results") | (704) | 0 |
| . translation differences | 1,702 | 4,487 |
| . other movements | (395) | (44) |
| At the end of the year | 93,046 | 97,489 |
| Gross value | 95,548 | 99,991 |
| Accumulated impairment losses | (2,502) | (2,502) |
| NET BOOK VALUE | 93,046 | 97,489 |

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 16.

The change of the period mainly relates to exchange differences.

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

(EUR thousand)

| | Catalysis | Energy Materials | Performance Materials | Recycling | Total |
|---|---|---|---|---|---|
| 31/12/09 | 36,335 | 24,264 | 14,170 | 18,277 | 93,046 |
| 31/12/10 | 36,335 | 26,932 | 15,816 | 18,406 | 97,489 |

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 which typically look forward 5 years. On macro economic indicators such as inflation rates, currency and metal prices, the testing uses typically prevailing market conditions. The 2010 modelling used an average tax rate of 25 %, (30% in 2009) and a weighted average cost of capital post-tax of 8.5 % (7.5% in 2009) in line with prevailing expectations on effective tax rate and capital structure. Terminal values were determined on the basis of a perpetual growth rate of on average 2 % (1% in 2009).

## 15. Property, plant and equipment

(EUR 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 previous year | | | | | | |
| Gross value | 510,782 | 1,154,805 | 164,760 | 15,277 | 113,013 | 1,958,638 |
| Accumulated depreciation | (278,334) | (836,013) | (121,045) | (14,051) | | (1,249,444) |
| **Net book value at the beginning of previous year** | **232,448** | **318,792** | **43,715** | **1,226** | **113,013** | **709,194** |
| . additions | 34,568 | 65,257 | 12,230 | 106 | 57,544 | 169,705 |
| . disposals | (10,512) | (7,481) | (965) | 64 | (80) | (18,973) |
| . depreciations (included in "Depreciation and impairments") | (20,230) | (76,709) | (12,631) | (353) | | (109,922) |
| . impairment losses recognized (included in "Depreciation and impairments") | (1,616) | (3,479) | (233) | (26) | | (5,354) |
| . reversal of impairment loss (included in "Depreciation and impairments") | 5,708 | 140 | 0 | 0 | | 5,848 |
| . translation differences | 2,541 | 5,200 | 1,086 | 82 | 2,682 | 11,591 |
| . other movements | 30,162 | 48,318 | 6,307 | 1,033 | (84,117) | 1,702 |
| **At the end of previous year** | **273,070** | **350,037** | **49,509** | **2,132** | **89,042** | **763,790** |
| Gross value | 571,987 | 1,241,981 | 172,472 | 16,786 | 89,042 | 2,092,268 |
| Accumulated depreciation | (298,918) | (891,944) | (122,963) | (14,654) | | (1,328,479) |
| **Net book value at the end of previous year** | **273,070** | **350,037** | **49,509** | **2,132** | **89,042** | **763,790** |
| . additions | 12,109 | 50,138 | 12,158 | 704 | 66,368 | 141,478 |
| . disposals | (489) | (2,509) | (711) | (20) | (231) | (3,959) |
| . depreciations (included in "Depreciation and impairments") | (23,325) | (79,802) | (15,017) | (994) | | (119,138) |
| . net impairment losses recognized (included in "Depreciation and impairments") | (403) | (4,103) | (49) | 1 | 0 | (4,554) |
| . translation differences | 7,897 | 12,855 | 2,078 | 207 | 4,589 | 27,625 |
| . other movements | 12,240 | 55,148 | 5,795 | 98 | (74,014) | (732) |
| **At the end of the financial year** | **281,099** | **381,763** | **53,764** | **2,129** | **85,755** | **804,510** |
| of which leasing : | 1,801 | 338 | 82 | | | 2,221 |
| Gross value | 596,960 | 1,314,086 | 171,620 | 17,707 | 85,755 | 2,186,127 |
| Accumulated depreciation | (315,861) | (932,323) | (117,856) | (15,578) | | (1,381,617) |
| **NET BOOK VALUE** | **281,099** | **381,763** | **53,764** | **2,129** | **85,755** | **804,510** |
| Leasing | | | | | | |
| Gross value | 2,406 | 688 | 240 | | | 3,335 |
| Accumulated amortization | (605) | (350) | (158) | | | (1,114) |
| **NET BOOK VALUE** | **1,801** | **338** | **82** | **0** | **0** | **2,221** |

The non-maintenance related additions to property,plant and equipment were mainly oriented to the Automotive Catalyst and Cobalt and Specialty Materials business, in line with the long term strategy, and were mainly in Japan, China and Korea. The investment levels in the Recycling business were somewhat lower than prior years, with exception of the new pilot UHT plant which is being built in Belgium for the Battery Recycling activity.

The line 'other movements' mainly includes the amounts of PPE transferred to the intangible assets.

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

# 16. Investments accounted for using the equity method

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

| | Measurement currency | Percentage 2009 | Percentage 2010 |
|---|---|---|---|
| ASSOCIATES | | | |
| Ganzhou Yi Hao Umicore Industries | CNY | 40.00 | 40.00 |
| IEQSA | PEN | 40.00 | 40.00 |
| Element Six Abrasives | USD | 40.22 | 40.22 |
| Jiangmen Chancsun Umicore Industry Co.,LTD | CNY | 40.00 | 40.00 |
| Todini | EUR | 40.00 | 48.00 |
| JOINT VENTURES | | | |
| 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 |
| SolviCore GmbH & Co KG | EUR | 50.00 | 50.00 |
| SolviCore Management GmbH | EUR | 50.00 | 50.00 |
| Hycore | NOK | 51.00 | 62.82 |

(EUR thousand)

| | Net book value | Goodwill | TOTAL |
|---|---|---|---|
| At the end of previous year | 121,423 | 44,964 | 166,387 |
| . change in scope | 516 | 484 | 1,000 |
| . profit for the year | 25,390 | | 25,390 |
| . impairment loss | 0 | (4,368) | (4,368) |
| . dividends | (12,280) | | (12,280) |
| . capital increase | 5,563 | 4,368 | 9,931 |
| . change in other reserves | 1,394 | | 1,394 |
| . translation differences | 10,057 | 847 | 10,904 |
| . transfers | (600) | 0 | (600) |
| At the end of the year | 151,465 | 46,294 | 197,758 |
| Of which joint ventures | 56,340 | 355 | 56,695 |

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

(EUR thousand)

| | 31/12/09 | 31/12/10 |
|---|---|---|
| Assets | 209,684 | 243,608 |
| Liabilities | 117,021 | 130,731 |
| Turnover | 164,358 | 255,227 |
| Net result | 5,305 | 24,290 |

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

(EUR thousand)

| | 31/12/09 | 31/12/10 |
|---|---|---|
| Current assets | 122,116 | 137,552 |
| Non-current assets | 16,154 | 14,732 |
| Current liabilities | 80,261 | 86,547 |
| Non-current liabilities | 10,617 | 7,535 |

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

(EUR thousand)

| | 31/12/09 | 31/12/10 |
|---|---|---|
| Operating result | (17,672) | 2,193 |
| Financial result | (1,104) | (1,297) |
| Tax | (1,729) | (2,098) |
| Net result Group | (14,311) | (1,202) |

In 2010, a capital increase for EUR 9.9 million was made by the group in the Hycore joint-venture in Norway. This capital increase diluted the share of minorities and consequently increased the Umicore share in the joint venture. It also induced the computation of a goodwill of EUR 4.4 million which was impaired immediately because of the suspension of the activities.

The Group has not acquired additional associates and joint ventures during the 2010 financial year.

# 17. Available-for-sale financial assets and loans granted

(EUR thousand)

| | | Availale-for-sale financial assets | Loans granted |
|---|---|---|---|
| NON-CURRENT FINANCIAL ASSETS | | | |
| At the beginning of previous year | | 26,040 | 2,533 |
| . increase | | 5,150 | 6,638 |
| . decrease | | (6,977) | (32) |
| . impairment losses (included in "Income from other financial instruments") | | (127) | (53) |
| . reversals of impairment losses (included in "Income from other financial instruments") | | 405 | |
| . translation differences | | 33 | (10) |
| . fair value recognized in equity | | 33,401 | |
| . other movements | | (15) | (621) |
| At the end of previous year | | 57,910 | 8,454 |
| | | | |
| . change in scope | | 0 | (1,219) |
| . increase | | 377 | 50 |
| . decrease | (a) | (2) | (6,608) |
| . impairment losses (included in "Income from other financial instruments") | | (248) | 0 |
| . translation differences | | 33 | 94 |
| . fair value recognized in equity | (b) | 18,144 | |
| . other movements | | (62) | (1) |
| At the end of the financial year | | 76,152 | 769 |
| | | | |
| CURRENT FINANCIAL ASSETS | | | |
| At the end of the preceding financial year | | 88 | 6,859 |
| . change in scope | | | (132) |
| . decrease | | (11) | 0 |
| . write-downs (included in "Income from other financial instruments") | | (17) | |
| . translation differences | | 1 | 0 |
| . other | (c) | (24) | (6,677) |
| At the end of the financial year | | 37 | 50 |

(a) is mainly related to repayment of the Hycore loan after the capital increase

(b) is mainly related to the fair value adjustment on the Nyrstar shares.

(c) Margin calls previously disclosed as current loans granted, have been reclassified to trade and other receivables.

# 18. Inventories

(EUR thousand)

| | 31/12/09 | 31/12/10 |
|---|---|---|
| Analysis of inventories | | |
| Base product with metal hedging - gross value | 707,795 | 972,513 |
| Base product without metal hedging - gross value | 121,636 | 139,620 |
| Consumables - gross value | 65,359 | 70,401 |
| Write-downs | (41,331) | (43,389) |
| Advances paid | 5,485 | 41,565 |
| Contracts in progress | 639 | 2,325 |
| Total inventories | 859,582 | 1,183,034 |

Inventories have increased by EUR 323.5 million, mainly driven by higher metal prices but also by higher quantities linked to increased activity and some prepayments. In line with the increasing metal prices, some additional reversal of impairments were made to the permanently tied up metal inventories, primarily in Performance Materials.

Based on metal prices and currency exchange rates prevailing at the closing date, the value of metal inventory would be about EUR 1,206 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.

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

# 19. Trade and other receivables

(EUR thousand)

| | Notes | 31/12/09 | 31/12/10 |
|---|---|---|---|
| NON CURRENT | | | |
| Cash guarantees and deposits | | 3,499 | 5,871 |
| Other receivables maturing > 1 year | | 8,076 | 8,172 |
| Assets employee benefits | | 375 | 373 |
| **Total** | | **11,950** | **14,416** |
| CURRENT | | | |
| Trade receivables (at cost) | | 465,096 | 673,800 |
| Trade receivables (write down) | | (21,554) | (14,606) |
| Other receivables (at cost) | | 69,743 | 116,625 |
| Other receivables (write down) | | (9,370) | (6,582) |
| Interest receivable | | 615 | 257 |
| Fair value receivable financial instruments held for cash-flow hedging | 31 | 6,387 | 7,425 |
| Fair value receivable other financial instruments | 31 | 7,508 | 23,460 |
| Deferred charges and accrued income | | 4,867 | 11,122 |
| **Total** | | **523,292** | **811,500** |

(EUR thousand)

| | Total | Not due | overdue between | | | |
|---|---|---|---|---|---|---|
| | | | 0-30 days | 30-60 days | 60-90 days | >90 days |
| AGEING BALANCE ANALYSIS AT THE END OF PREVIOUS YEAR | | | | | | |
| Trade receivables (not including doubtful receivables) - at cost | 443,039 | 346,259 | 68,673 | 9,644 | 2,096 | 16,368 |
| Other receivables - at cost | 69,743 | 60,435 | 6,257 | 206 | 68 | 2,777 |
| AGEING BALANCE ANALYSIS AT THE END OF YEAR | | | | | | |
| Trade receivables (not including doubtful receivables) - at cost | 658,074 | 555,269 | 79,729 | 11,304 | 2,019 | 9,752 |
| Other receivables - at cost | 116,625 | 110,040 | 3,422 | 373 | 58 | 2,731 |

Current trade receivables have increased by EUR 215.7 million. This increase is mainly due to higher business activity and higher metal prices.

The increase in other current receivables is mainly due to VAT receivables.

Margin calls previously disclosed as current loans granted, have been reclassified other receivables.

Other non-current receivables include an amount of EUR 6,427 thousand related to "reimbursement rights" linked to medical plan liabilities that Umicore France took over from Nyrstar France in 2007 and which Nyrstar France will compensate over the lifetime of these liabilities (see also note 26 on Employee Benefits).

By default, all units use credit insurance as a means to mitigate the credit risk related to trade receivables. EUR 363 million of the group trade receivables are covered by insured credit limits. The indemnification in case of non payment amounts to 95% with an annual maximum limit of EUR 20 million.

Some specific units operate without credit insurance but set credit limits based on financial information and business knowledge, which are duly approved by management. During 2010, limited write downs were necessary.

CREDIT RISK - TRADE RECEIVABLES

(EUR thousand)

| | Trade receivables (write-down) | Other receivables (write-down) | TOTAL |
|---|---|---|---|
| AT THE BEGINNING OF PREVIOUS YEAR | (15,968) | (9,192) | (25,160) |
| . Impairment losses recognized in P&L | (9,691) | (298) | (9,989) |
| . Reversal of impairment losses | 5,358 | 33 | 5,391 |
| . Other mouvements | (369) | 61 | (308) |
| . Translation differences | (884) | 25 | (859) |
| At the end of previous year | (21,553) | (9,369) | (30,925) |
| AT THE BEGINNING OF THE FINANCIAL YEAR | (21,553) | (9,369) | (30,925) |
| . Impairment losses recognized in the P&L | (1,974) | (804) | (2,778) |
| . Reversal of impairment losses | 8,110 | 377 | 8,487 |
| . Impairment written off against asset carrying amount | 2,044 | 3,378 | 5,422 |
| . Other movements | (35) | (82) | (117) |
| . Translation differences | (1,197) | (81) | (1,278) |
| At the end of the financial year | (14,606) | (6,581) | (21,187) |

# 20. Deferred tax assets and liabilities

(EUR thousand)

| | 31/12/2009 | 31/12/2010 |
|---|---|---|
| Tax assets and liabilities | | |
| Income tax receivables | 7,988 | 20,363 |
| Deferred tax assets | 96,102 | 108,795 |
| Income tax payable | (29,138) | (21,664) |
| Deferred tax liabilities | (31,381) | (43,702) |

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 |
| At the end of preceding financial year | 89,118 | 96,101 | (49,855) | (31,381) | 39,263 | 64,721 |
| Deferred tax recognized in the P&L | (8,417) | (7,447) | 8,349 | (18,283) | (68) | (25,730) |
| Deferred tax recognized in equity | 14,704 | 15,796 | 8,117 | 6,499 | 22,820 | 22,295 |
| Translation adjustments | 2,996 | 4,352 | (181) | (478) | 2,815 | 3,874 |
| Transfer | (2,189) | (83) | 2,189 | (58) | 0 | (142) |
| Other movements | (110) | 76 | 0 | 0 | (110) | 76 |
| At the end of financial year | 96,101 | 108,795 | (31,381) | (43,702) | 64,721 | 65,093 |
| Deferred tax in respect of each type of temporary difference | | | | | | |
| Intangible assets & equity transaction expenses | 1,719 | 4,499 | (2,749) | (6,647) | (1,030) | (2,148) |
| Goodwill on fully consolidated companies | 114 | 145 | (1,803) | (2,152) | (1,689) | (2,007) |
| Property, plant and equipment | 9,291 | 6,843 | (21,775) | (24,811) | (12,484) | (17,968) |
| Investments accounted for using the equity method | 129 | 0 | (93) | (178) | 36 | (178) |
| Long term receivables | 200 | 454 | (2,381) | (3,302) | (2,181) | (2,848) |
| Inventories | 28,275 | 28,789 | (35,846) | (57,679) | (7,571) | (28,890) |
| Trade and other receivables | 3,824 | 15,493 | (2,542) | (3,771) | 1,282 | 11,722 |
| Group Shareholder's equity | 334 | 7 | (6,244) | (12,161) | (5,910) | (12,154) |
| Long Term Financial Debt and other payable | 1,437 | 983 | (26) | (535) | 1,411 | 448 |
| Provisions Employee Benefits | 40,530 | 31,325 | (390) | (502) | 40,140 | 30,823 |
| Provisions for Environment | 1,689 | 17,359 | (7,827) | (2,926) | (6,138) | 14,433 |
| Provisions for other liabilities and charges | 24,587 | 3,125 | (1,374) | (416) | 23,213 | 2,709 |
| Current Financial Debt | 200 | 317 | 0 | 0 | 200 | 317 |
| Current Provisions for Environment | 7,919 | 7,476 | (3) | 0 | 7,916 | 7,476 |
| Current Provisions for Other Liabilities & Charges | 3,271 | 4,578 | (52) | (714) | 3,219 | 3,864 |
| Trade and other payables | 14,578 | 41,264 | (3,976) | (24,391) | 10,602 | 16,873 |
| Total deferred tax due to temporary differences | 138,097 | 162,657 | (87,081) | (140,185) | 51,016 | 22,472 |
| Tax losses to carry forward | 75,626 | 82,506 | 0 | | 75,626 | 82,506 |
| Investments deductions | 4,015 | 4,015 | | | 4,015 | 4,015 |
| Notional interest carried forward | 10,796 | 24,259 | | | 10,796 | 24,259 |
| Exempted dividends carried forward | 64,679 | 43,511 | | | 64,679 | 43,511 |
| Other | 5,862 | 27,674 | | | 5,862 | 27,674 |
| Deferred tax assets not recognized | (147,273) | (139,344) | | | (147,273) | (139,344) |
| Total tax assets/liabilities | 151,802 | 205,278 | (87,081) | (140,185) | 64,721 | 65,093 |
| Compensation of assets and liabilities within same entity | (55,700) | (96,483) | 55,700 | 96,483 | | |
| Net amount | 96,102 | 108,795 | (31,381) | (43,702) | 64,721 | 65,093 |

| | base | base | tax | tax |
|---|---|---|---|---|
| Amount of deductible temporary differences, unused tax losses or tax credits for which no deferred tax asset is recognized in the balance sheet | | | | |
| expiration date with no time limit | 443,747 | 433,409 | 147,273 | 139,344 |

The changes of the period in temporary differences are charged in the income statement except those arising from events that were recognized directly in equity.

The main movements in deferred tax recognized directly in equity affect the lines "Trade and other payables" (positive by EUR 20,251 thousand) and "Provisions for employee benefits" (positive by EUR 3,521 thousand).

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 Group assesses a recoverability in a range of 5 to 10 years. The actual tax results in future periods may differ from the estimate made at the time the deferred taxes are recognized.

Unrecognized deferred tax assets of EUR 139,344 thousand mainly arise from tax losses (EUR 60,630 thousand), temporary differences on property plant and equipment (EUR 4,215 thousand), notional interests carried forward (EUR 24,259 thousand) and exempted dividends carried forward (EUR 43,510 thousand).

In accordance with IAS 12, a deferred tax liability, amounting potentially to EUR 51 million, has not been recognized on untaxed reserves of the Belgian companies because management confirms that this liability will not be incurred in a foreseeable future.

# 21. Cash and cash equivalents

(EUR thousand)

| | 31/12/09 | 31/12/10 |
|---|---|---|
| Cash and cash equivalents | | |
| Short-term investments : bank term deposits | 44,766 | 42,453 |
| Short-term investments : term deposits (other) | 3,993 | 3,842 |
| Cash-in-hands and bank current accounts | 136,574 | 78,421 |
| **Total cash and cash equivalents** | **185,333** | **124,717** |
| **Bank overdrafts** | **4,985** | **26,296** |
| (included in current financial debt in the balance sheet) | | |
| **Net cash as in Cash Flow Statement** | **180,348** | **98,421** |

All cash and cash equivalents are fully available for the Group.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Due to the dynamic nature of the underlying businesses, the group maintains flexibility in funding by maintaining availability under committed credit lines.

Excess liquidities are invested for very short periods and are spread over a limited number of banks, all enjoying a satisfactory credit rating.

# 22. Currency translation differences and other reserves

The detail of the Group's share in currency translation differences and other reserves is as follows:

(EUR thousand)

| | Available-for-sale financial assets reserves | Cash flow hedge reserves | Deferred taxes directly recognized in equity | Changes in post employment benefits, arising from changes in actuarial assumptions | Share-based payment reserves | Currency translation differences | TOTAL |
|---|---|---|---|---|---|---|---|
| **Balance at the beginning of previous year** | **1,068** | **49,933** | **(7,924)** | **(43,112)** | **21,254** | **(140,266)** | **(119,048)** |
| Gains and losses recognized in equity | 33,401 | (28,722) | 13,332 | (12,434) | 2,791 | | 8,369 |
| Gains and losses derecognized out of equity | 0 | (30,467) | 9,351 | (206) | 0 | | (21,322) |
| Change in scope | 0 | 12 | (2) | (5) | 0 | 0 | 5 |
| Exchange differences | 0 | 3,088 | (1,009) | 473 | 0 | 33,090 | 35,643 |
| **Balance at the end of previous year** | **34,468** | **(6,155)** | **13,749** | **(55,284)** | **24,045** | **(107,176)** | **(96,354)** |
| **Balance at the beginning of the year** | **34,468** | **(6,155)** | **13,749** | **(55,284)** | **24,045** | **(107,176)** | **(96,354)** |
| Gains and losses recognized in equity | 18,144 | (59,976) | 22,464 | (8,456) | 4,018 | | (23,806) |
| Gains and losses derecognized out of equity | 0 | 312 | (195) | (71) | 0 | | 45 |
| Transfer from/to retained earnings | | | | (386) | (3,561) | | (3,947) |
| Change in scope | 0 | 0 | (2) | 0 | 0 | 0 | (2) |
| Other movements | 0 | 0 | 0 | (32) | | 0 | (32) |
| Exchange differences | 0 | (342) | 234 | (1,824) | 0 | 70,485 | 68,554 |
| **Balance at the end of the year** | **52,613** | **(66,161)** | **36,250** | **(66,054)** | **24,503** | **(36,691)** | **(55,541)** |

Gains and losses recognized in equity on available-for-sale financial assets relate to the fair value adjustments of the period on the Nyrstar shares (refer to note 17 on available-for sale financial assets).

The net losses recognized in equity regarding cash flow hedges (EUR 59,976 thousand) are the changes in fair value of new cash flow hedging instruments or existing ones at opening but which have not yet expired at year end. The net losses derecognized from equity (EUR 312 thousand) are the fair values of the cash-flow hedging instruments existing at the opening which expired during the year. EUR 11.3 million went through the income statement, as a result of expired cash-flow hedges.

New net actuarial losses on the defined post-employment benefit plans, have been recognized in equity for EUR 8,456 thousand. EUR 386 thousand linked to finished pension plans have been transferred to retained earning.

The 2010 shares and stock option plans have led to a share-based payment reserve increase of EUR 4,018 thousand (refer to note 9 on employee benefits). EUR 3,561 thousand, linked to exercized options, have been transfered to retained earnings.

The change in currency translation differences is mainly due to the strengthening of the ZAR, CAD, CNY, KRW and USD compared to the EUR currency.

# 23. Financial debt

(EUR thousand)

| | Bank loans | Other loans | Total |
|---|---|---|---|
| NON-CURRENT | | | |
| At the beginning of previous year | 258,123 | 164,382 | 422,505 |
| . Increase | 0 | (1,516) | (1,516) |
| . Decrease | (236,106) | (866) | (236,972) |
| . Translation differences | (163) | 996 | 834 |
| . Transfers | (1,343) | (7,735) | (9,078) |
| At the end of previous year | 20,511 | 155,261 | 175,771 |
| . Increase | 20,000 | 574 | 20,574 |
| . Decrease | (509) | (643) | (1,151) |
| . Transfers | 0 | (311) | (311) |
| At the end of the financial year | 40,002 | 154,882 | 194,884 |

| | Bank loans | Other loans | Total |
|---|---|---|---|
| CURRENT PORTION OF LONG-TERM FINANCIAL DEBTS | | | |
| At the end of the preceding financial year | 530 | 1,066 | 1,596 |
| . Increase / decrease | (15) | (62) | (77) |
| At the end of the financial year | 515 | 1,004 | 1,519 |

| | Short term bank loans | Bank overdrafts | Short term loan : commercial paper | Other loans | Total |
|---|---|---|---|---|---|
| CURRENT | | | | | |
| At the end of the preceding financial year | 53,870 | 4,985 | 107,702 | 17,950 | 184,507 |
| . Increase / decrease (including CTD's) | 113,743 | 21,311 | (16,727) | (14,158) | 104,169 |
| At the end of the financial year | 167,612 | 26,296 | 90,976 | 3,792 | 288,676 |

The net financial debt of the group has increased by EUR 183.9 million mainly as a result of the growing working capital needs.

The fair value of the EUR 150 million 8-year bond which was issued in 2004 was EUR 155.2 million as at 31 December 2010. The effective interest rate for this bond is 4.875% which is equal to the fixed interest rate.

The long-term bank loans consist of a EUR 20 million bank loan maturing in 2013 bearing an interest of 5.36% per annum. Its fair value was EUR 22.02 million on 31 December 2010.

The outstanding advances under the EUR 450 million Syndicated Bank Credit Facility maturing in 2013 amounted to EUR 20 million on 31 December 2010.

The repricing dates of the short term bank loans are very short term and are made at the convenience of the treasury department at market conditions as part of its daily management of treasury operations.

Part of the non-current financial debt is subjected to standard financial covenants included in the loan agreements.

Umicore has not faced any breach of covenants or loan defaults in 2010 or in previous years. The debt covenant monitoring is the responsibility of the Group treasury department. In order to monitor this activity, compliance certificates are issued twice a year by the treasury department and sent to the agent bank. This methodology is a loan agreement condition and requirement as the interest margin is based on the net debt to EBITDA ratio.

(EUR thousand)

| | EUR Euro | USD US Dollar | Other currencies | Total |
|---|---|---|---|---|
| Analysis of long term debts by currencies (including current portion) | | | | |
| Long-term bank loans | 40,516 | 0 | 0 | 40,516 |
| Other long-term loans | 155,887 | 0 | 0 | 155,887 |
| Non-current financial debts | 196,403 | 0 | 0 | 196,403 |

# 24. Trade debt and other payables

(EUR thousand)

| | Notes | 31/12/09 | 31/12/10 |
|---|---|---|---|
| NON-CURRENT | | | |
| Long-term trade payables | | 74 | 517 |
| Other long-term debts | | 1,230 | 648 |
| Investment grants and deferred income from grants | | 4,220 | 5,168 |
| | | 5,524 | 6,333 |
| CURRENT | | | |
| Trade payables | | 441,376 | 655,776 |
| Advances received on contracts in progress | | 12,075 | 17,752 |
| Tax payable (other than income tax) | | 12,407 | 35,869 |
| Payroll and related charges | | 93,433 | 121,451 |
| Other amounts payable | | 13,212 | 11,737 |
| Dividends payable | | 5,660 | 6,770 |
| Accrued interest payable | | 6,272 | 7,064 |
| Fair value payable financial instrument held for cash flow hedging | 31 | 12,473 | 73,357 |
| Fair value payable other financial instruments | 31 | 22,942 | 17,899 |
| Accrued charges and deferred income | | 56,643 | 74,747 |
| | | 676,493 | 1,022,423 |

Trade debt and other payables increased by EUR 345.9 million.

The increase of trade payables is mainly due to increasing metal prices and higher volumes. The tax payables (other than income tax) mainly include VAT payables.

# 25. Liquidity of the financial liabilities

(EUR thousand)

| | Earliest contractual maturity | | | | | |
|---|---|---|---|---|---|---|
| | < 1 Month | 1 to 3 Months | 3 Months - 1 Year | 1 to 5 Years | > 5 years | TOTAL |
| Previous financial year | | | | | | |
| Financial debt | | | | | | |
| CURRENT | | | | | | |
| Short term bank loans | 42,359 | 7,710 | 3,800 | | | 53,870 |
| Bank overdrafts | 2,120 | 0 | 2,864 | | | 4,985 |
| Short-term loan: commercial paper | 107,702 | 0 | 0 | | | 107,702 |
| Other loans | 7,903 | 915 | 9,132 | | | 17,950 |
| Current portion of long-term bank loans | 2 | 130 | 397 | | | 530 |
| Current portion of other long-term loans | 39 | 114 | 913 | | | 1,066 |
| NON-CURRENT | | | | | | |
| Bank loans | | | | 20,510 | 0 | 20,510 |
| Other loans | | | | 153,354 | 1,907 | 155,261 |
| Trade and other payables | | | | | | |
| CURRENT | | | | | | |
| Trade payables | 266,722 | 137,828 | 36,826 | | | 441,376 |
| Advances received on contracts in progress | 3,374 | 5 | 8,696 | | | 12,075 |
| Tax payable (other than income tax ) | 11,425 | 982 | 0 | | | 12,407 |
| Payroll and related charges | 36,330 | 44,834 | 12,269 | | | 93,433 |
| Other amounts payable | 4,416 | 2,337 | 6,458 | | | 13,212 |
| Dividends payable | 5,660 | 0 | 0 | | | 5,660 |
| Accrued interest payable, third parties | (67) | 6,339 | 0 | | | 6,272 |
| Fair value payable financial instrument held for cash flow hedging | 141 | 1,122 | 11,210 | | | 12,473 |
| Fair value payable other financial instruments | 6,790 | 14,205 | 1,947 | | | 22,942 |
| Accrued charges and deferred income | 35,371 | 14,022 | 7,251 | | | 56,643 |
| NON-CURRENT | | | | | | |
| Long-term trade payables | | | | 0 | 74 | 74 |
| Other long-term debts | | | | 1,230 | 0 | 1,230 |
| Investment grants and deferred income from grants | | | | 460 | 3,760 | 4,220 |

(EUR thousand)

| | Earliest contractual maturity | | | | | |
|---|---|---|---|---|---|---|
| | < 1 Month | 1 to 3 Months | 3 Months - 1 Year | 1 to 5 Years | > 5 years | TOTAL |
| Financial year | | | | | | |
| Financial debt | | | | | | |
| CURRENT | | | | | | |
| Short term bank loans | 123,451 | 23,032 | 21,129 | | | 167,612 |
| Bank overdrafts | 18,692 | 37 | 7,567 | | | 26,296 |
| Short-term loan: commercial paper | 90,976 | 0 | 0 | | | 90,976 |
| Other loans | 3,418 | 0 | 374 | | | 3,792 |
| Current portion of long-term bank loans | 2 | 130 | 382 | | | 515 |
| Current portion of other long-term loans | 37 | 145 | 821 | | | 1,004 |
| NON-CURRENT | | | | | | |
| Bank loans | | | | 40,001 | 0 | 40,001 |
| Other loans | | | | 153,349 | 1,534 | 154,883 |
| Trade and other payables | | | | | | |
| CURRENT | | | | | | |
| Trade payables | 415,981 | 115,229 | 124,565 | | | 655,776 |
| Advances received on contracts in progress | 1,295 | 9,222 | 7,234 | | | 17,752 |
| Tax payable (other than income tax ) | 35,541 | (19) | 347 | | | 35,869 |
| Payroll and related charges | 82,553 | 33,765 | 5,133 | | | 121,451 |
| Other amounts payable | 6,022 | 4,774 | 941 | | | 11,737 |
| Dividends payable | 6,770 | 0 | 0 | | | 6,770 |
| Accrued interest payable, third parties | 6,699 | 305 | 60 | | | 7,064 |
| Fair value payable financial instrument held for cash flow hedging | 1,170 | 10,495 | 61,692 | | | 73,357 |
| Fair value payable other financial instruments | 3,823 | 12,957 | 1,120 | | | 17,899 |
| Accrued charges and deferred income | 58,527 | 10,312 | 5,908 | | | 74,747 |
| NON-CURRENT | | | | | | |
| Long-term trade payables | | | | 30 | 487 | 517 |
| Other long-term debts | | | | 647 | 1 | 648 |
| Investment grants and deferred income from grants | | | | 367 | 4,801 | 5,168 |

## 26. Provisions for employee benefits

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

(EUR thousand)

| | Post-employment benefits, pensions and similar | Post-employment benefits - other | Termination benefits early retirement & similar | Other long-term employee benefits | Total |
|---|---|---|---|---|---|
| At the end of the previous year | 115,988 | 17,964 | 35,556 | 13,366 | 182,874 |
| . Increase (included in "Payroll and related benefits") | 11,058 | 711 | 6,348 | 2,004 | 20,121 |
| . Reversal (included in "Payroll and related benefits") | (418) | (3) | 0 | (2) | (424) |
| . Use (included in "Payroll and related benefits") | (17,480) | (484) | (11,985) | (1,676) | (31,624) |
| . Interest and discount rate impacts (included in "Finance cost - Net") | 5,848 | 803 | 1,361 | 608 | 8,619 |
| . Translation differences | 1,030 | 329 | 20 | 25 | 1,404 |
| . Transfers | (419) | 779 | (580) | (175) | (395) |
| . Recognized in equity | 11,613 | (1,420) | 0 | 0 | 10,194 |
| . Other movements | 3 | (4) | 27 | 4 | 30 |
| At the end of the financial year | 127,222 | 18,674 | 30,748 | 14,155 | 190,800 |

The first table shows the balances and the movements in provisions for employee benefits of the fully consolidated subsidiaries only. There is a difference in the line "Recognized in equity" compared to what is shown in note 22 as that note also includes associates and joint ventures that are accounted for according to the equity method.

Management expects cash outflows in the short term to stay in the same order of magnitude as the outflows of prior and current year.

As described in note 19, a non-current receivable has been recognized as "reimbursement rights" linked to medical plan liabilities that Umicore France took over from Nyrstar France in 2007 and which Nyrstar France will compensate over the lifetime of these liabilities. Whenever there is a change in these liabilities this change will affect the reimbursement rights under the non current receivables in the same way. When the change of the period is related to changes in actuarial assumptions, both the liability and the asset are adjusted through the statement of comprehensive income.

The following disclosure requirements under IAS 19 amended were derived from the reports obtained from external actuaries.

Assumptions are recommended by the local actuaries in line with the IAS19. The standard reference for the Eurozone is iBOXX AA Index yield and similar indexes are used for the other regions. Mortality tables used are country specific.

(EUR thousand)

| | 31/12/09 | Movements 2010 | 31/12/10 |
|---|---|---|---|
| Belgium | 32,603 | (4,828) | 27,775 |
| France | 20,533 | 337 | 20,870 |
| Germany | 114,842 | 11,184 | 126,026 |
| **Subtotal** | **167,978** | **6,693** | **174,671** |
| Other entities | 14,896 | 1,233 | 16,129 |
| **Total** | **182,874** | **7,926** | **190,800** |

(EUR thousand)

| | |
|---|---|
| Reimbursement rights | |
| At the end of the previous year | 6,545 |
| Actual reimbursement | (119) |
| Actuarial gains and losses on reimbursement rights | 1 |
| At the end of the financial year | 6,427 |

(EUR thousand)

| | 2009 | 2010 |
|---|---|---|
| Change in benefit obligation | | |
| Benefit obligation at beginning of the year | 270,134 | 294,378 |
| Current service cost | 16,703 | 14,452 |
| Interest cost | 14,874 | 14,102 |
| Plan Participants' Contributions | 405 | 453 |
| Amendments | 545 | 2,262 |
| Actuarial (gain)/loss | 20,923 | 9,852 |
| Benefits paid from plan/company | (30,071) | (27,980) |
| Expenses paid | (68) | (66) |
| Net transfer in/(out) (including the effect of any business combinations/divestitures) | 896 | 783 |
| Plan combinations | | 140 |
| Plan Curtailments | (420) | (221) |
| Plan Settlements | (471) | 0 |
| Exchange rate changes | 928 | 4,418 |
| Benefit obligation at end of the year | 294,378 | 312,573 |

| | 2009 | 2010 |
|---|---|---|
| Change in plan assets | | |
| Fair value of plan assets at the beginning of the year | 106,650 | 110,898 |
| Expected return on plan assets | 4,927 | 5,314 |
| Actuarial gain/(loss) on plan assets | 2,734 | 780 |
| Employer contributions | 25,208 | 27,498 |
| Member contributions | 405 | 453 |
| Benefits paid from plan/company | (30,071) | (27,980) |
| Expenses paid | (68) | (66) |
| Net transfer in/(out) (including the effect of any business combinations/divestitures) | 638 | 1,037 |
| Exchange rate changes | 475 | 3,011 |
| Fair value of plan assets at the end of the year | 110,898 | 120,945 |

Pension plans mainly in Belgium, France, Liechtenstein, Netherlands, USA and Norway are wholly or partly funded with assets covering a substantial part of the obligations. All other plans have no material funding or are unfunded.

(EUR thousand)

| | 2009 | 2010 |
|---|---|---|
| Amount recognized in the balance sheet | | |
| Present value of funded obligations | 190,475 | 214,160 |
| Fair value of plan assets | 110,898 | 120,945 |
| **Deficit (surplus) for funded plans** | **79,577** | **93,215** |
| Present value of unfunded obligations | 103,903 | 98,413 |
| Unrecognized net actuarial gain/(loss) | (1) | 12 |
| Unrecognized past service (cost) benefit | (605) | (840) |
| **Net liability (asset)** | **182,874** | **190,800** |
| | | |
| Components of pension costs | | |
| Amounts recognized in profit and loss statement | | |
| Current service cost | 16,703 | 14,452 |
| Interest cost | 14,874 | 14,102 |
| Expected return on plan assets | (4,927) | (5,314) |
| Expected return on reimbursement rights | (305) | (304) |
| Amortization of past service cost incl. §58(a) | 581 | 2,027 |
| Amortization of net (gain) loss incl. §58(a) | 3,031 | (1,225) |
| Curtailment (gain)/loss recognized | (420) | (221) |
| Settlement (gain)/loss recognized | (471) | 0 |
| **Total pension cost recognized in P&L account** | **29,066** | **23,517** |
| | | |
| Actual return on plan assets | 7,661 | 6,094 |
| Actual return on reimbursement rights | 1,151 | 305 |
| | | |
| Amounts recognized in other comprehensive income | | |
| Cumulative actuarial gains and losses | 24,012 | 38,362 |
| Actuarial gains and losses of the year | 15,078 | 10,194 |
| Transfer from/to retained earnings | | 386 |
| Minorities | (87) | (263) |
| Actuarial gains and losses on reimbursement rights | (846) | (1) |
| Recycled into P&L | 179 | |
| Other movements | | 32 |
| Exchange differences | 26 | 500 |
| **Total recognized in the OCI at subsidiaries** | **38,362** | **49,210** |
| Actuarial gains and losses at associates and joint ventures | 16,922 | 16,844 |
| **Total recognized in the OCI** | **55,284** | **66,054** |

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 10). All other elements of the expense of the year are classified under the operating result in the "wages, salaries and direct social advantages".

Actuarial gains of the year recognized in equity originate mainly from a change in discount rates on the pension plans and differences between the expected and actual return on plan assets.

| | 2009 | 2010 |
|---|---|---|
| Principal actuarial Assumptions | | |
| Weighted average assumptions to determine benefit obligations at year end | | |
| Discount rate (%) | 4.91 | 4.60 |
| Rate of compensation increase (%) | 2.97 | 2.99 |
| Rate of price inflation (%) | 2.08 | 2.06 |
| Rate of pension increase (%) | 1.56 | 1.65 |
| | | |
| Weighted average assumptions used to determine net cost | | |
| Discount rate (%) | 5.68 | 4.91 |
| Expected long-term rate of return on plan assets during financial year (%) | 5.00 | 4.99 |
| Rate of compensation increase (%) | 2.86 | 2.97 |
| Rate of price inflation (%) | 2.05 | 2.08 |
| Rate of pension increase (%) | 1.74 | 1.56 |

| | 2010 | |
|---|---|---|
| | Percentage of plan assets | Expected return on plan assets |
| Plan assets | | |
| Equity securities % | 18.52 | 5.39 |
| Debt Securities % | 59.71 | 4.33 |
| Real Estate % | 5.06 | 4.50 |
| Other % | 16.71 | 3.90 |
| **Total (%)** | **100.00** | **4.46** |

Other plan assets are predominantly invested in insurance contracts and bank term deposits. The expected long term rate of return on assets assumptions is documented for the individual plans as recommended by the local actuaries.

| | 2009 | 2010 |
|---|---|---|
| History of experience gains and losses | | |
| Difference between the expected and actual return on plan assets | | |
| Amount | (2,734) | (780) |
| Percentage of plan assets (%) | (2.00) | (1.00) |
| Experience (gain)/loss on plan liabilities | | |
| Amount | 1,407 | (476) |
| Percentage of present value of plan liabilities (%) | 0.48 | (0.15) |

| | 2009 | 2010 |
|---|---|---|
| Required disclosures for post-retirement medical plans | | |
| Assumed health care trend rate | | |
| Immediate trend rate (%) | 4.22 | 4.38 |
| Ultimate trend rate (%) | 4.22 | 4.38 |
| Year that the rate reaches ultimate trend rate | NA | NA |

| | 2010 | |
|---|---|---|
| | Valuation trend +1% | Valuation trend -1% |
| Sensitivity to trend rate assumptions | | |
| Effect on total service cost and interest cost components | 250 | (208) |
| Effect on defined benefit obligation | 2,965 | (2,531) |

(EUR thousand)

| | 2009 | 2010 |
|---|---|---|
| Balance sheet reconciliation | | |
| Balance sheet liability (asset) | 162,884 | 182,874 |
| Pension expense recognized in P&L in the financial year | 29,066 | 23,517 |
| Amounts recognized in SoCI | 14,326 | 10,317 |
| Employer contributions via funds in the financial year | (10,286) | (13,550) |
| Employer contributions paid directly in the financial year | (14,922) | (13,949) |
| Actual reimbursement | 1,151 | 305 |
| Net transfer in/(out) (including the effect of any business combinations/diversitures) | 259 | (253) |
| Amounts recognized due to plan combinations | | 137 |
| Other | (58) | (4) |
| Exchange rate adjustment - (gain)/loss | 453 | 1,406 |
| **Balance sheet liability (asset) as of end of the year** | **182,874** | **190,800** |

| At 31 December | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| Present value of defined benefit obligation | 304,840 | 275,282 | 270,134 | 294,378 | 312,573 |
| Fair value of plan assets | 88,220 | 102,765 | 106,650 | 110,898 | 120,945 |
| **Deficit (surplus) in the plan** | **216,620** | **172,517** | **163,484** | **183,480** | **191,628** |
| **Experience adjustments on plan assets** | **3,219** | **789** | **10,020** | **(2,734)** | **(780)** |
| **Experience adjustments on plan liabilities** | **(4,996)** | **9,129** | **6,168** | **1,407** | **(476)** |

The contribution expected to be paid to the plans during the annual period beginning after the balance sheet date amounts to EUR 20.7 million.

# 27. Stock option plans granted by the company

| 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 |
|---|---|---|---|---|---|
| ISOP 2004 | 11.03.2011 | all working days of | 10.41 | 8.31 | 36,625 |
| | | Euronext Brussels | 10.74 | 8.64 | 0 |
| | | | | | **36,625** |
| ISOP 2005 | 16.06.2012 | all working days of | | 12.92 | 104,500 |
| | | Euronext Brussels | | 13.66 | 5,000 |
| | | | | | **109,500** |
| ISOP 2006 | 02.03.2016 | all working days of | | 22.55 | 382,375 |
| | | Euronext Brussels | | 24.00 | 8,000 |
| | | | | | **390,375** |
| ISOP 2007 | 16.02.2017 | all working days of | | 26.55 | 576,000 |
| | | Euronext Brussels | | 27.36 | 10,000 |
| | | | | | **586,000** |
| ISOP 2008 | 15.04.2018 | all working days of | | 32.57 | 641,000 |
| | | Euronext Brussels | | 32.71 | 33,500 |
| | | | | | **674,500** |
| ISOP 2009 | 15.02.2016 | all working days of | | 14.40 | 703,875 |
| | | Euronext Brussels | | 14.68 | 31,000 |
| | | | | | **734,875** |
| ISOP 2010 | 14.02.2017 | all working days of | | 22.30 | 691,750 |
| | | Euronext Brussels | | | |
| | | | | | **691,750** |
| Total | | | | | 3,223,625 |

ISOP refers to "Incentive Stock Option Plan" (worldwide plan for managers).

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

(EUR thousand)

| | 2009 | | 2010 | |
|---|---|---|---|---|
| | Number of share options | Weighted average exercise price | Number of share options | Weighted average exercise price |
| Details of the share options outstanding during the year | | | | |
| **Outstanding at the beginning of the year** | **3,309,150** | **19.85** | **3,541,825** | **20.45** |
| Granted during the year | 734,875 | 14.41 | 691,750 | 22.30 |
| Exercised during the year | 502,200 | 7.70 | 1,009,950 | 13.63 |
| **Outstanding at the end of the year** | **3,541,825** | **20.45** | **3,223,625** | **22.98** |
| Exercisable at the end of the year | 3,541,825 | 20.45 | 3,223,625 | 22.98 |

The options outstanding at the end of the year have a weighted average contractual life until October 2016.

# 28. Environmental provisions

(EUR thousand)

| | Provisions for soil clean-up & site rehabilitation | Other environmental provisions | TOTAL |
|---|---|---|---|
| At the end of previous year | 98,635 | 4,776 | 103,412 |
| . Increase | 5,444 | 3,649 | 9,092 |
| . Reversal | (976) | 0 | (976) |
| . Use (included in "Other operating expenses") | (10,502) | (3,195) | (13,697) |
| . Discounting (included in "Finance cost -Net") | (357) | 0 | (357) |
| . Translation differences | 1,475 | 0 | 1,475 |
| . Other movements | 595 | 49 | 644 |
| At the end of the financial year | 94,314 | 5,279 | 99,593 |
| Of which - Non Current | 75,746 | 1,936 | 77,682 |
| - Current | 18,567 | 3,343 | 21,910 |

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 decreased overall by EUR 3,819 thousand, with additional provisions being more than compensated by uses and reversals of existing provisions., reflecting overall the steady execution of identified and committed rehabilitation programs.

The new increase in provisions for soil clean-up and site rehabilitations are mainly related to reviews of the cost estimates of some of the programs in Belgium (Hoboken, Overpelt), Germany (Pforzheim) and South-Africa (Roodepoort).

Most of the uses of provisions for the period are linked to the realization during the period of site remediation programs in France (Viviez) and in Belgium (Hoboken and Gent).

In 2010, no major movements occurred on the provisions that were taken to address the historical radioactive waste material in Belgium (Olen). Further negociation with all competent authorities to find a sustainable and acceptable storage solution are on-going, however, at a slow pace.

The movements of the Other environmental provisions are mainly related to the need for and settlement of CO2 emission rights in Belgium.

Management expects the most significant cash outflows on these projects to take place within 5 years.

# 29. Provisions for other liabilities and charges

(EUR thousand)

| | Provisions for reorganization & restructuring | Provisions for other liabilities and charges | TOTAL |
|---|---|---|---|
| At the end of the previous year | 30,816 | 38,452 | 69,268 |
| . Increase | 4,385 | 14,096 | 18,480 |
| . Reversal | (4,765) | (5,479) | (10,244) |
| . Use (included in "Other operating expenses") | (11,679) | (3,271) | (14,950) |
| . Translation differences | 581 | 2,833 | 3,414 |
| . Transfers | (53) | 241 | 188 |
| . Financial charges | | 686 | 686 |
| . Other movements | 0 | (79) | (79) |
| At the end of the financial year | 19,283 | 47,480 | 66,763 |
| Of which - Non Current | 4,307 | 34,122 | 38,429 |
| - Current | 14,977 | 13,359 | 28,336 |

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.

Provisions decreased overall by EUR 2,505 thousand, with additional provisions being more than compensated by reversals and uses of existing provisions.

The increase of the provisions for reorganization and restructuring is mainly related to the transfer of refining activities in Hanau, Germany, to Hoboken, Belgium. The use of provisions in this category is partly linked to ongoing execution of previous restructuring programs in France and in Germany and the reversals are mainly linked to an update of the restructuring liabilities at the Guarulhos site in Brazil, initially booked in 2007.

The increases and decreases in provisions for other liabilities and charges concern liabilities that are mainly related to warranty risks and litigations. They affect a wide range of subsidiaries, mainly in Brazil and Belgium.

They also include provisions for onerous contracts related to the IAS 39 effect (see note 8). The net increase of the period on these IAS 39 related provisions for onerous contracts is EUR 2,266 thousand, leaving a closing balance of EUR 4,640 thousand

No assessment is possible regarding the expected timing of cash outflows related to the non-current part of the provisions for other liabilities and charges.

# 30. Financial instruments by category

(EUR thousand)

| As at the end of previous year | FAIR VALUE | Carrying amount: Held for trading - no hedge accounting | Carrying amount: Cash Flow hedge accounting | Carrying amount: Loans, receivables and payables | Carrying amount: Available-for-sale |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Available-for-sale financial assets** | **57,999** | | | | **57,999** |
| Available-for-sale financial assets – Shares | 57,999 | | | | 57,999 |
| **Loans granted** | **15,313** | | | **15,313** | |
| Loans to associates and non consolidated affiliates | 15,313 | | | 15,313 | |
| **Trade and other receivables** | **535,243** | **7,508** | **6,388** | **521,347** | |
| **Non-current** | | | | | |
| Cash guarantees and deposits | 3,499 | | | 3,499 | |
| Other receivables maturing in more than 1 year | 8,076 | | | 8,076 | |
| Assets employee benefits | 375 | | | 375 | |
| **Current** | | | | | |
| Trade receivables (at cost) | 465,096 | | | 465,096 | |
| Trade receivables (write-down) | (21,554) | | | (21,554) | |
| Other receivables (at cost) | 69,743 | | | 69,743 | |
| Other receivables (write-down) | (9,370) | | | (9,370) | |
| Interest receivable | 615 | | | 615 | |
| Fair value of financial instruments held for cash-flow hedging | 6,388 | | 6,388 | | |
| Fair value receivable other financial instruments | 7,508 | 7,508 | | | |
| Deferred charges and accrued income | 4,867 | | | 4,867 | |
| **Cash and cash equivalents** | **185,333** | | | **185,333** | |
| Short-term investments: bank term deposits | 44,766 | | | 44,766 | |
| Short-term investments: term deposits (other) | 3,993 | | | 3,993 | |
| Cash-in-hand and bank current accounts | 136,574 | | | 136,574 | |
| **Total of financial instruments (Assets)** | **793,888** | **7,508** | **6,388** | **721,993** | **57,999** |
| **LIABILITIES** | | | | | |
| **Financial debt** | **365,005** | | | **361,875** | |
| **Non-current** | | | | | |
| Bank loans | 22,641 | | | 20,511 | |
| Other loans | 156,261 | | | 155,261 | |
| **Current** | | | | | |
| Short term bank loans | 54,399 | | | 54,399 | |
| Bank overdrafts | 4,985 | | | 4,985 | |
| Short term loan: commercial paper | 107,702 | | | 107,702 | |
| Other loans | 19,016 | | | 19,016 | |
| **Trade and other payables** | **682,017** | **22,942** | **12,473** | **646,602** | |
| **Non-current** | | | | | |
| Long term trade payables | 74 | | | 74 | |
| Other long term debts | 1,230 | | | 1,230 | |
| Investments grants and deferred income from grants | 4,220 | | | 4,220 | |
| **Current** | | | | | |
| Trade payables | 441,376 | | | 441,376 | |
| Advances received on contracts in progress | 12,075 | | | 12,075 | |
| Tax - other than income tax - payable | 12,407 | | | 12,407 | |
| Payroll and related charges | 93,433 | | | 93,433 | |
| Other amounts payable | 13,212 | | | 13,212 | |
| Dividends payable | 5,660 | | | 5,660 | |
| Accrued interest payable | 6,272 | | | 6,272 | |
| Fair value financial instrument held for cash flow hedging | 12,473 | | 12,473 | | |
| Fair value payable other financial instruments | 22,942 | 22,942 | | | |
| Accrued charges and deferred income | 56,643 | | | 56,643 | |
| **Total of financial instruments (Liabilities)** | **1,047,022** | **22,942** | **12,473** | **1,008,477** | **0** |

(EUR thousand)

| As at the end of the financial year | | Fair value | Carrying amount: Held for trading - no hedge accounting | Carrying amount: Cash Flow hedge accounting | Carrying amount: Loans, receivables and payables | Carrying amount: Available-for-sale |
|---|---|---|---|---|---|---|
| ASSETS | | | | | | |
| Available-for-sale financial assets | | 76,189 | | | | 76,189 |
| | Available-for-sale financial assets – Shares | 76,189 | | | | 76,189 |
| Loans granted | | 819 | | | 819 | |
| | Loans to associates and non consolidated affiliates | 819 | | | 819 | |
| Trade and other receivables | | 825,917 | 23,460 | 7,425 | 795,031 | |
| Non-current | | | | | | |
| | Cash guarantees and deposits | 5,871 | | | 5,871 | |
| | Other receivables maturing in more than 1 year | 8,172 | | | 8,172 | |
| | Assets employee benfits | 373 | | | 373 | |
| Current | | | | | | |
| | Trade receivables (at cost) | 673,800 | | | 673,800 | |
| | Trade receivables (write-down) | (14,606) | | | (14,606) | |
| | Other receivables (at cost) | 116,625 | | | 116,625 | |
| | Other receivables (write-down) | (6,582) | | | (6,582) | |
| | Interest receivable | 257 | | | 257 | |
| | Fair value of financial instruments held for cash-flow hedging | 7,425 | | 7,425 | | |
| | Fair value receivable other financial instruments | 23,460 | 23,460 | | | |
| | Deferred charges and accrued income | 11,122 | | | 11,122 | |
| Cash and cash equivalents | | 124,716 | | | 124,716 | |
| | Short-term investments: bank term deposits | 42,453 | | | 42,453 | |
| | Short-term investments: term deposits (other) | 3,842 | | | 3,842 | |
| | Cash-in-hand and bank current accounts | 78,421 | | | 78,421 | |
| Total of financial instruments (Assets) | | 1,027,641 | 23,460 | 7,425 | 920,566 | 76,189 |
| LIABILITIES | | | | | | |
| Financial debt | | 492,339 | | | 485,080 | |
| Non-current | | | | | | |
| | Bank loans | 42,018 | | | 40,002 | |
| | Other loans | 160,127 | | | 154,883 | |
| Current | | | | | | |
| | Short term bank loans | 168,127 | | | 168,127 | |
| | Bank overdrafts | 26,296 | | | 26,296 | |
| | Short term loan: commercial paper | 90,976 | | | 90,976 | |
| | Other loans | 4,796 | | | 4,796 | |
| Trade and other payables | | 1,028,755 | 17,899 | 73,357 | 937,499 | |
| Non-current | | | | | | |
| | Long term trade payables | 517 | | | 517 | |
| | Other long term debts | 648 | | | 648 | |
| | Investments grants and deferred income from grants | 5,168 | | | 5,168 | |
| Current | | | | | | |
| | Trade payables | 655,776 | | | 655,776 | |
| | Advances received on contracts in progress | 17,752 | | | 17,752 | |
| | Tax - other than income tax - payable | 35,869 | | | 35,869 | |
| | Payroll and related charges | 121,451 | | | 121,451 | |
| | Other amounts payable | 11,737 | | | 11,737 | |
| | Dividends payable | 6,770 | | | 6,770 | |
| | Accrued interest payable | 7,064 | | | 7,064 | |
| | Fair value financial instrument held for cash flow hedging | 73,357 | | 73,357 | | |
| | Fair value payable other financial instruments | 17,899 | 17,899 | | | |
| | Accrued charges and deferred income | 74,747 | | | 74,747 | |
| Total of financial instruments (Liabilities) | | 1,521,094 | 17,899 | 73,357 | 1,422,579 | 0 |

Loans and debt have been issued at market rate which would not create any major differences with effective interest expense. All categories of financial instruments of Umicore are at fair value except the non-current bank and other loans for which the carrying amounts differ from the fair value (see note 23).

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques, mainly discounted cash-flow, using for the market assumptions the ones existing at balance sheet date.

In particular, the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange and metal contracts is determined using quoted forward exchange and metal rates at the balance sheet date.

The fair value of quoted financial assets held by the Group is their quoted market price at balance sheet date. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

### Fair value hierarchy

The Group adopted the amendment to IFRS 7 for financial instruments which are measured in the balance sheet at fair value, with effect from January 2009. This amendment requires disclosures of fair value measurements by level, based on the following fair value measurement hierarchy :

Level 1 – fair value based on quoted prices in active markets for identical assets or liabilities.

Level 2 – fair value based on inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Level 3 – fair value for the asset or liability valuation are based on unobservable inputs.

In the Group, the fair values on available-for-sale financial assets are measured as level 1 except for the Nyrstar's bond which is level 2. All the metal and foreign currency derivatives are measured as level 2.

### Sensitivity analysis on financial instruments

Umicore is sensitive to commodity prices, foreign currency and interest rate risk on its financial instruments.

a) Commodity prices

The fair value on financial instruments related to cash flow hedging sales would have been EUR 28.5 million lower/higher if the metal prices would strengthen/weaken by 10%.

The fair value on financial instruments related to cash flow hedging purchases would have been EUR 0.4 million higher/lower if the electricity prices would strengthen/weaken by 10%.

The fair value on other commodity sales financial instruments would have been EUR 20.5 million lower/higher and the fair value on other commodity purchases financial instruments would have been EUR 18.8 million higher/lower if the metal prices would strengthen/weaken by 10%.

b) Foreign currency

The fair value of forward currency contracts related to cash flow hedging would have been EUR 7.2 million higher if the Euro would strengthen against USD by 10% and would have been EUR 8.9 million lower if the Euro would weaken against USD by 10%.

The fair value of other forward currency contracts sold would have been EUR 23.9 million higher if the Euro would strengthen against USD by 10% and would have EUR 29.2 million lower if the Euro would weaken against USD by 10%.

The fair value of other forward currency contracts bought would have been EUR 1.9 million lower if the Euro would strengthen against USD by 10% and would have been EUR 2.4 million higher if the Euro would weaken against USD by 10%.

The fair value of net position of current assets and liabilities exposed to USD would have been EUR 15.6 million lower if the Euro would strengthen against USD by 10% and would have been EUR 19.0 million higher if the Euro would weaken against USD by 10%.

# 31. Fair value of financial instruments

Umicore hedges its structural and transactional commodity (metal and energy), currency and interest rate risks using respectively commodity derivatives (mainly quoted on the London Metal Exchange), currency derivatives and Interest Rate Swaps with reputated brokers and banks.

a) Financial instruments related to cash-flow hedging :

(EUR thousand)

| | Notional or Contractual amount | | | Fair value |
|---|---|---|---|---|
| | 31/12/2009 | 31/12/2010 | 31/12/2009 | 31/12/2010 |
| Forward commodities sales | 113,304 | 213,746 | (11,345) | (71,901) |
| Forward commodities purchases | | (3,212) | | 760 |
| Forward currency contracts sales | 130,023 | 124,129 | 5,259 | 5,209 |
| **Total fair value impact subsidiaries** | | | **(6,086)** | **(65,932)** |
| Recognized under trade and other receivables | | | 6,387 | 7,425 |
| Recognized under trade and other payables | | | (12,473) | (73,357) |
| **Total fair value impact associates and joint ventures** | | | | **(229)** |
| TOTAL | | | **(6,086)** | **(66,161)** |

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 3 Financial risk management.

The fair values of the effective hedging instruments are in the first instance recognized in the fair value reserves recorded in equity and are derecognized when the underlying forecasted or committed transactions occur (see note 22)

The forward commodities sales contracts are set up to hedge primarily the following commodities: gold, silver, platinum, palladium and zinc.

The forward commodity purchase contracts are set up to hedge primarily the electricity price risks.

The forward currency contracts are set up to hedge USD towards EUR, KRW, BRL and AUD and EUR towards NOK.

The average maturity date of financial instruments related to cash-flow hedging is March 2012 for the forward commodities sold and December 2011 for the forward currency contracts.

The terms and conditions of the forward contracts are common market conditions.

In those circumstances whereby the hedge accounting documentation as defined under IAS 39 is not available, financial instruments used to hedge structural risks for metals and currencies are measured as if they were held for trading. However, such instruments are being used to hedge future probable cash-flows and are not speculative in nature.

Umicore has not faced any ineffectiveness on cash flow hedging in P&L in 2009 and 2010.

b) Other financial instruments

(EUR thousand)

| | Notional or Contractual amount | | Fair value | |
|---|---|---|---|---|
| | 31/12/2009 | 31/12/2010 | 31/12/2009 | 31/12/2010 |
| Forward commodities sales | 175,149 | 198,210 | (14,591) | (6,349) |
| Forward commodities purchases | (165,245) | (173,953) | 3,979 | 15,613 |
| Forward currency contracts sales | 135,970 | 291,740 | (4,807) | (2,674) |
| Forward currency contracts purchases | (9,025) | (84,121) | (15) | (1,030) |
| Total fair value impact subsidiaries | | | (15,434) | 5,560 |
| Recognized under trade and other receivables | | | 7,508 | 23,460 |
| Recognized under trade and other payables | | | (22,942) | (17,900) |
| TOTAL GROUP | | | (15,434) | 5,560 |

The principles and documentation related to the Group's transactional hedging are included in note 3 "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 Net Finance cost for the currency instruments.

c) Derivatives

Since 2006 a contractual situation has been active whereby variable price adjustments (embedded derivative) occur on the sale (host contract) in 1992 of the participation and loans of Aurifère de Guinée, a gold mining concession in Guinea.

In 2010 an amount of EUR 1.5 million was recognized in the income statement. This total amount comprises the changes in the estimated present value of potential income from this source, based amongst others upon gold price, mine potential and operating conditions and creditworthiness of the mine owner for EUR -3.0  million and actual recognized income for EUR 4.5 million.

At balance sheet level, the receivable of EUR 0.5 million related to Aurifère de Guinée is recorded in the other current receivables.

(EUR thousand)

| | Earliest contractual maturity (undiscounted) | | | | |
|---|---|---|---|---|---|
| As at the end of previous year | < 1 Month | 1 to 3 Months | 3 Months - 1 Year | 1 to 5 Years | Total |
| FINANCIAL INSTRUMENTS ASSETS (FAIR VALUE) | | | | | |
| Commodity risk | | | | | |
| Total forward sales (CFH) | 0 | 285 | 441 | 0 | 726 |
| Total forward sales (other) | 501 | 120 | 638 | 0 | 1,259 |
| Total forward purchases (other) | 4,702 | 1,427 | 991 | 103 | 7,223 |
| FX Risk | | | | | |
| Forward currency contracts sales (CFH) | 220 | 584 | 2,095 | 2,762 | 5,661 |
| FINANCIAL INSTRUMENTS LIABILITIES (FAIR VALUE) | | | | | |
| Commodity risk | | | | | |
| Total forward sales (CFH) | (142) | (1,121) | (4,115) | (6,693) | (12,071) |
| Total forward sales (other) | (9,541) | (3,626) | (2,683) | 0 | (15,850) |
| Total forward purchases (other) | (76) | (3,981) | 813 | 0 | (3,244) |
| FX Risk | | | | | |
| Forward currency contracts sales (CFH) | 0 | 0 | (402) | 0 | (402) |
| Forward currency contracts sales (other) | (4,338) | (322) | (147) | | (4,807) |
| Forward currency contracts purchases (other) | (27) | (62) | 74 | | (15) |

(EUR thousand)

| | Earliest contractual maturity (undiscounted) | | | | |
|---|---|---|---|---|---|
| As at the end of the financial year | < 1 Month | 1 to 3 Months | 3 Months - 1 Year | 1 to 5 Years | Total |
| FINANCIAL INSTRUMENTS ASSETS (FAIR VALUE) | | | | | |
| Commodity risk | | | | | |
| Total forward purchases (CFH) | 79 | 125 | 285 | 271 | 760 |
| Total forward sales (other) | 4,154 | 1,763 | 4 | | 5,921 |
| Total forward purchases (other) | 3,381 | 9,859 | 3,646 | 90 | 16,976 |
| FX Risk | | | | | |
| Forward currency contracts sales (CFH) | 358 | 887 | 4,057 | 1,363 | 6,665 |
| Forward currency contracts sales (other) | 563 | | | | 563 |
| FINANCIAL INSTRUMENTS LIABILITIES (FAIR VALUE) | | | | | |
| Commodity risk | | | | | |
| Total forward sales (CFH) | (1,073) | (10,324) | (34,445) | (26,059) | (71,901) |
| Total forward sales (other) | (3,618) | (6,241) | (2,411) | | (12,270) |
| Total forward purchases (other) | (1,363) | | | | (1,363) |
| FX Risk | | | | | |
| Forward currency contracts sales (CFH) | (166) | (146) | (916) | (228) | (1,456) |
| Forward currency contracts sales (other) | (3,457) | (128) | 348 | | (3,237) |
| Forward currency contracts purchases (other) | (1,096) | 260 | (194) | | (1,030) |

# 32. Notes to the cash flow statement

## DEFINITIONS

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

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

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

(EUR thousand)

| | 2009 | 2010 |
|---|---|---|
| Adjustments for non cash transactions | | |
| Depreciations | 116,306 | 126,167 |
| Adjustment IAS 39 | 2,629 | 4,392 |
| (Reversal) Impairment charges | (317) | 4,194 |
| Mark to market of inventories and commitments | 8,637 | (26,474) |
| Exchange difference on long-term loans | 280 | 26 |
| Inventories and bad debt provisions | (21,869) | (5,786) |
| Depreciation on government grants | (445) | 907 |
| Share-based payments | 2,791 | 4,018 |
| Change in provisions | 10,833 | (17,346) |
| | **118,845** | **90,099** |
| Adjustments for items to disclose separately or under investing and financing cash flows | | |
| Tax charge of the period | 20,565 | 54,211 |
| Interest (income) charges | 13,104 | 12,612 |
| (Gain) loss on disposal of fixed assets | 3,401 | 1,899 |
| Dividend income | (220) | (566) |
| | **36,850** | **68,156** |
| Change in working capital requirement analysis | | |
| Inventories | 12,539 | (323,452) |
| Trade and other receivables | 219,902 | (296,223) |
| Trade and other payables | 9,312 | 339,264 |
| **As in the consolidated balance sheet** | **241,753** | **(280,411)** |
| Non-cash items (*) | (64,638) | (33,955) |
| Items disclosed elsewhere (**) | (11,244) | 21,410 |
| Currency translation differences | 35,954 | 45,925 |
| **As in the consolidated cash flow statement** | **201,825** | **(247,031)** |

(*) Non cash items are mainly linked to mark to market of inventories and commitments, strategic and transactional hedging and inventories and bad debt provisions.

(**)Item disclosed elswhere are mainly due to changes in interest, dividend and tax receivable and payable.

### Net cash flow generated by operating activities

Operating cash flow after tax is EUR 104.1 million. Working capital requirements increased by EUR 247.0 million, primarily coming from inventories, driven mainly by higher metal prices, but also by higher quantities linked to increased activity.

### Net cash flow used in investing activities

Net cash used in investing activities decreased by EUR 20.0 million in 2010. Capital expenditure reached EUR 172.0 million. The non-maintenance related additions to property,plant and equipment were mainly linked to the Automotive Catalyst and Cobalt and Specialty Materials business, in line with the long term strategy, and were mainly in Japan, China and Korea. The investment levels in the Recycling business were somewhat lower than prior years, with exception of the new pilot UHT plant which is being built in Belgium for the Battery Recycling activity. The capital expenditures include EUR 30.6 million of intangibles coming from the capitalization of costs linked to new information systems and development expenses (see note 13).

### Net cash flow used in financing activities

The cash used in financing activities is mainly the consequence of the net increase of indebtedness (EUR 97.3 million) and the sale of own shares in the context of the exercise of stock option (EUR 13.8 million), not covering the cash outflow for the payment of dividends (EUR 110.2 million), and of interest (EUR 11.5 million).

# 33. Rights and commitments

(EUR thousand)

| | 2009 | 2010 |
|---|---|---|
| Guarantees constituted by third parties on behalf of the Group | 17,024 | 42,341 |
| Guarantees constituted by the Group on behalf of third parties | 2,353 | 3,313 |
| Guarantees received | 114,931 | 105,879 |
| Goods and titles held by third parties in their own names but at the Group's risk | 427,948 | 585,954 |
| Commitments to acquire and sell fixed assets | 595 | 1,144 |
| Commercial commitments for commodities purchased (to be received) | 36,185 | 113,448 |
| Commercial commitments for commodities sold (to be delivered) | 62,208 | 211,397 |
| Goods and titles of third parties held by the Group | 1,346,809 | 1,981,574 |
| Miscellaneous rights and commitments | 4,175 | 4,140 |
| | 2,012,228 | 3,049,190 |

### 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.

There are no loan commitments given to third parties.

### 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.

The guarantees received are mainly related to supplier guarantees backed by bank institutions. Those guarantees are set up to cover the good execution of work by the supplier. Some guarantees received are related to customer guarantees, received mainly from a customer's mother company on behalf of one of its subsidiaries. A minor part of the received guarantees is related to rent guarantees.

All guarantees are taken at normal market conditions and their fair value is equivalent to the carrying amount. No re-pledge has been done on any of those guarantees.

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

represent goods and titles included in the Group balance sheet 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.

The Group leases metals(particularly gold and silver) from and to banks and other third parties for specified, mostly short term, periods and for which the group pays or receives fees. As at 31 December 2010, there was a net lease-in position for EUR 507 million vs EUR 269 million at end of 2009. The increase is mainly caused by the higher metal prices.

# 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 28 on environmental provisions where the topic is covered in detail including the status from a contingency point of view.

### 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 was legally valid, final and subject to confidentiality.

The EU Commission launched on September 7, 2004, an official investigation to review the settlement agreement in the context of the state aid regulations. On 26 May 2010, the EU Commission decided that the VAT settlement is not to be considered as a state aid. This case has been definitively closed.

### 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

(EUR thousand)

| | 2009 | 2010 |
|---|---|---|
| **TRANSACTIONS WITH JOINT VENTURES AND ASSOCIATES** | | |
| Operating income | 27,290 | 52,090 |
| Operating expenses | (27,147) | (40,660) |
| Financial income | 694 | 12 |
| Financial expenses | (89) | (60) |
| Dividends received | (4,343) | (12,280) |

| | 2009 | 2010 |
|---|---|---|
| **OUTSTANDING BALANCES WITH JOINT VENTURES AND ASSOCIATES** | | |
| Long term loans and advances to associates | 6,600 | |
| Current trade and other receivables | 10,344 | 18,694 |
| Current trade and other payables | 3,401 | 7,219 |
| Loan asset short term | 900 | 0 |
| Loan liabilities short term | 3,915 | 0 |

| | 2009 | 2010 |
|---|---|---|
| **BOARD OF DIRECTORS*** | | |
| . Salaries and other compensation: | 467,000 | 452,000 |
| Fixed portion (EUR) | 200,000 | 200,000 |
| Variable portion (based on attended meetings) (EUR) | 267,000 | 252,000 |

In 2008, the Board of Directors agreed on a four-year consultancy agreement with Booischot n.v., a company controlled by Thomas Leysen.

The four-year agreement started on January 1st 2009 and involves an annual fee of EUR 300,000.

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.

| | 2009 | 2010 |
|---|---|---|
| **EXECUTIVE COMMITTEE** | | |
| . Salaries and other benefits: | 5,597,212 | 7,647,949 |
| Short-term employee benefits | 3,769,229 | 3,382,042 |
| Post-employment benefits | 872,211 | 1,637,712 |
| Other long-term benefits | 0 | 931,950 |
| Share-based payments | 955 772 | 1 696 245 |

The data above shows the accounting view of the Board and Executive Committee remuneration and differs somewhat from the information provided in the Remuneration Report in the Corporate Governance chapter.

- In the tables above, the employer social security contributions, if applicable, are included in the short-term employee benefits. These do not feature in the Remuneration Report.

- With regards to share-based incentives the share grant figures included in share-based values above represent the value of the shares granted in 2010 for services rendered in 2009. The remuneration Report shows the value of the shares granted in 2011 for services rendered in the reporting year i.e. 2010.

- The figures related to the non-deferred portion of the 2010 cash bonus, included in short-term employee benefits represent the level of accruals at balance sheet date. The Remuneration Report features the actual amounts paid.

- Accruals booked for the deferred portion of the Executive Committee 2010 cash bonus are included in the other long-term benefits. The amounts to be paid in 2012 and 2013 will depend on long-term performance measures and the exact amounts paid will be included in the Remuneration Reports for the years in question.

The figures of 2009 have been restated to the new presentation to allow comparison. The main reasons for the increase compared with the previously disclosed amount are the inclusion of share based paiements and the expatriates advantages.

# 36. Events after the balance sheet date

Following the Board of Directors meeting of 9 February 2011, Umicore announced that a gross dividend of EUR 0.80 per share would be proposed to the Annual Shareholders Meeting, corresponding to a total dividend payment of EUR 90,818,682 of which EUR 0.325 per share were already paid out as interim dividend in October 2010.

In March 2011 Nyrstar completed its rights offering. Umicore sold all subscription rights associated with its Nyrstar shareholding and did not subscribe to new shares. Subsequent to the capital increase Umicore's shareholding – which stood at 5.25% before the offering – was diluted to 3.09%

# 37. Earnings per share

(EUR)

| | 2009 | 2010 |
|---|---|---|
| - excluding discontinued operations | | |
| EPS -basic | 0.69 | 2.20 |
| EPS - diluted | 0.69 | 2.19 |
| - including discontinued operations | | |
| EPS -basic | 0.66 | 2.20 |
| EPS - diluted | 0.65 | 2.19 |

The following earnings figures have been used as the numerator in the calculation of basic and diluted earnings per share:

(EUR thousand)

| | 2009 | 2010 |
|---|---|---|
| Net consolidated profit - Group share | | |
| - without discontinued operations | 78,002 | 248,727 |
| - with discontinued operations | 73,815 | 248,727 |

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:

| | 2009 | 2010 |
|---|---|---|
| Total shares issued as at 1 January | 120,000,000 | 120,000,000 |
| Total shares issued as at 31 December | 120,000,000 | 120,000,000 |
| Weighted average number of outstanding shares | 112,350,457 | 113,001,404 |

During 2010, no new shares were created as a result of the exercise of stock options with linked subscriptions rights. During the year Umicore used 1,008,550 of its treasury shares in the context of the exercise of stock options and 21,000 for shares granted. On 31 December 2010, Umicore owned 6,476,647 of its own shares, representing 5.40% of the total number of shares issued as at that date.

Total outstanding shares are after deduction of treasury shares, which are held to cover existing stock option plans or are available for resale.

For diluted earnings per share:

| | 2009 | 2010 |
|---|---|---|
| Weighted average number of outstanding shares | 112,350,457 | 113,001,404 |
| Potential dilution due to stock option plans | 534,520 | 723,487 |
| Adjusted weighted average number of outstanding shares | 112,884,977 | 113,724,891 |

The denominator for the calculation of diluted earnings per share takes into account an adjustment for stock options.

## 38. IFRS developments

The following new standards and amendments to standards are effective for annual periods beginning on 1 January 2010:

- Amendment to IAS 1, "Presentation of financial statements". This standard is applicable for the Group.
- IFRS 3 (revised) "Business combinations" and consequential amendments to IAS 27 "Condsolidated and separate financial statements", IAS 28 "Investments in associates" and IAS 31 "Interests in joint ventures". Those standards are applicable for the Group.
- Amendment to IAS 39 "Financial instruments: Recognition and measurement", on Eligible hedged items. This standard is applicable for the Group.
- Amendment to IFRS 1 "First time adoption of International Financial Reporting Standards". This amendment is not applicable for the group
- Amendment to IFRS 2 "Share based payments – Group cash-settled share-based payment transactions". This standard is applicable for the Group.
- Amendment to IFRIC12 "Service Concession Arrangements". This amendment is not applicable for the group.
- Amendment to IFRIC15 "Agreements for the construction of real estate". This amendment is not applicable for the group.
- IFRIC 16 "Hedges of a net investment in a foreign operation". This interpretation is applicable for the Group.
- IFRIC 17 "'Distributions of non cash assets to owners". This interpretation is applicable for the Group.
- IFRIC 18 "Transfer of assets from customers". This interpretation is applicable for the Group.

The following new standards, amendments to standards and interpretations not yet effective for annual periods beginning 1 January 2010 have not been adopted early:

- Revised IAS 24 "Related Party Disclosures" (effective as from 1st January 2011)
- Amendment to IAS 12 "Income taxes". This amendment is applicable for the group (effective as from 1st January 2012)
- Amendments to IAS 32 "Classification of Rights Issues" (effective as from 1st February 2010)
- Amendment to IFRS 1 "First time adoption of International Financial Reporting Standards". This amendment is not applicable for the group (effective as from 1st July 2011)
- Amendment to IFRS 7 "Financial instruments : disclosures". This Standard is applicable for the group (effective as from 1st January 2011)
- IFRS 9, "Financial instruments" (effective as from 1st January 2013)
- Amendment to IFRIC 14 "Prepayments of a Minimum Funding Requirement" (effective as from 1st January 2011)
- IFRIC 19, "Extinguishing financial liabilities with equity instruments" (effective as from 1st July 2011)

The management is currently assessing the impact of these new standards and amendments on the Group's operations.

## 39. Auditors' remuneration

The world-wide audit remuneration for the statutory auditor and its affiliated companies totalled EUR 2.5 million, including an amount of EUR 2.1 million for the statutory audit missions (EUR 0.5 million for the audit of the mother company) and EUR 0.4 million for non-statutory audit services including audit-related and other attestation services (EUR 0.1 million), tax related services (EUR 0.1 million) and other non-audit related services (EUR 0.2 million).

# 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.

The statutory auditor did not express any reservations in respect of the annual accounts of Umicore.

The legal reserve of EUR 50,000 thousand which is included in the retained earnings is not available for distribution.

These documents may also be obtained on request from:

UMICORE
Rue du Marais 31
B-1000 Brussels (Belgium)

( EUR thousand)

| | | 31/12/2008 | 31/12/2009 | 31/12/2010 |
|---|---|---|---|---|
| SUMMARIZED BALANCE SHEET AT 31 DECEMBER | | | | |
| 1. ASSETS | | | | |
| Fixed assets | | 3,425,059 | 3,456,279 | 3,730,163 |
| I. | Formation expenses | | | |
| II. | Intangible assets | 26,720 | 41,970 | 57,818 |
| III. | Tangible assets | 282,787 | 291,154 | 298,155 |
| IV. | Financial assets | 3,115,552 | 3,123,155 | 3,374,190 |
| Current assets | | 714,849 | 837,254 | 1,092,649 |
| V. | Amounts receivable after more than one year | 738 | 848 | 838 |
| VI. | Stocks and contracts in progress | 257,258 | 298,047 | 407,073 |
| VII. | Amounts receivable within one year | 335,907 | 358,270 | 506,455 |
| VIII. | Investments | 109,181 | 173,097 | 158,852 |
| IX. | Cash at bank and in hand | 3,765 | 2,133 | 4,058 |
| X. | Deferred charges and accrued income | 8,000 | 4,859 | 15,373 |
| Total assets | | 4,139,908 | 4,293,533 | 4,822,812 |
| 2. LIABILITIES AND SHAREHOLDERS' EQUITY | | | | |
| Capital and reserves | | 1,025,111 | 1,153,019 | 1,369,048 |
| I. | Capital | 500,000 | 500,000 | 500,000 |
| II. | Share premium account | 6,610 | 6,610 | 6,610 |
| III. | Revaluation surplus | 98 | 98 | 91 |
| IV. | Reserves | 309,301 | 373,189 | 358,973 |
| V. | Result carried forward | 175,258 | 68,824 | 193,895 |
| Vbis. | Result for the period | 30,860 | 201,577 | 303,720 |
| VI. | Investments grants | 2,984 | 2,721 | 5,759 |
| Provisions and deferred taxation | | | | |
| VII.A. | Provisions for liabilities and charges | 95,412 | 95,127 | 90,526 |
| Creditors | | 3,019,385 | 3,045,386 | 3,363,239 |
| VIII. | Amounts payable after more than one year | 1,153,074 | 868,074 | 1,888,000 |
| IX. | Amounts payable within one year | 1,816,242 | 2,126,766 | 1,410,265 |
| X. | Accrued charges and deferred income | 50,069 | 50,545 | 64,974 |
| Total liabilities and shareholders' equity | | 4,139,908 | 4,293,533 | 4,822,812 |
| Income statement | | | | |
| I. | Operating income | 2,233,797 | 2,019,945 | 2,628,689 |
| II. | Operating charges | (2,120,463) | (1,973,314) | (2,503,054) |
| III. | Operating result | 113,334 | 46,631 | 125,635 |
| IV. | Financial income | 206,652 | 129,308 | 28,116 |
| V. | Financial charges | (236,520) | (18,002) | (67,675) |
| VI. | Result on ordinary activities before taxes | 83,467 | 157,937 | 86,076 |
| VII. | Extraordinary income | 43,472 | 40,535 | 219,320 |
| VIII. | Extraordinary charges | (95,903) | (3,957) | (1,748) |
| IX. | Result for the period before taxes | 31,035 | 194,516 | 303,649 |
| X. | Income taxes | (175) | 7,061 | 72 |
| XI. | Result for the period | 30,860 | 201,577 | 303,720 |
| XII. | Transfer from/to untaxed reserve | 3,400 | | |
| XIII. | Result for the period available | 34,260 | 201,577 | 303,720 |

(EUR thousand)

| | | | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| APPROPRIATION ACCOUNT | | | | | |
| A. | Profit (loss) to be appropriated | | 546,580 | 407,630 | 574,122 |
| | 1 | Profit (loss) for the financial year | 34,260 | 201,577 | 303,720 |
| | 2 | Profit (loss) carried forward | 512,320 | 206,053 | 270,401 |
| C. | Appropriation to equity | | (267,504) | (63,889) | 14,217 |
| | 2. | To the legal reserve | 0 | 0 | 0 |
| | 3. | To the reserve for own shares | (178,745) | (63,889) | 14,217 |
| | 4. | To the capital | (88,760) | | |
| D. | Profit (loss) to be carried forward (1) | | 206,053 | 270,401 | 497,616 |
| | 2. | Profit (loss) to be carried forward | 206,053 | 270,401 | 497,616 |
| F. | Profit to be distributed (1) | | (73,023) | (73,341) | (90,723) |
| | 1. | Dividends | | | |
| | | - ordinary shares EUR 0,80 | (73,023) | (73,341) | (90,723) |

(1) The total amount of these two items will be amended to allow for the amount of the company's own shares held by Umicore on the date of the Annual General Meeting of Shareholders on 26 April 2011; the gross dividend of EUR 0.80 will not change.

| | | | | (EUR thousand) | Number of shares |
|---|---|---|---|---|---|
| STATEMENT OF CAPITAL | | | | | |
| A. | Share capital | | | | |
| | 1. | Issued capital | | | |
| | | At the end of the preceding financial year | | 500,000 | 120,000,000 |
| | | At the end of the financial year | | 500,000 | 120,000,000 |
| | 2. | Structure of the capital | | | |
| | | 2.1. | Categories of shares | | |
| | | | Ordinary shares | 500,000 | 120,000,000 |
| | | 2.2. | Registered shares or bearer shares | | 0 |
| | | | Registered | | 6,476,647 |
| | | | Bearer | | 113,523,353 |
| E. | Authorized unissued capital (1) | | | 46,000 | |

| | | % capital | Number of shares | Notification date |
|---|---|---|---|---|
| G. | Shareholder base (2) | | | |
| | Fidelity International Ltd | 6.75 | 8,103,633 | 5/13/2010 |
| | BlackRock Investment Management | 8.33 | 9,996,285 | 12/1/2009 |
| | Fidelity Management and Research | 3.22 | 3,858,592 | 10/19/2010 |
| | Others | 76.30 | 91,564,843 | 12/31/2010 |
| | Own shares held by Umicore | 5.40 | 6,476,647 | 12/31/2010 |
| | | 100.00 | 120,000,000 | |
| | of which free float | 100.00 | 120,000,000 | |

(1) The extraordinary general meeting held on 21 November 2007 authorized the Board of Directors to increase the capital by an amount of EUR 46,000,000.
(2) At 31 December 2010, 3,223,625 options on Umicore shares are still to be exercized. This amount includes 3,223,625 acquisition rights of existing shares held by Umicore.

# Management responsibility statement

We hereby certify that, to the best of our knowledge, the Consolidated Financial Statements as of 31 December 2010, prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, and with legal requirements applicable in Belgium, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole, and that the management report includes a fair review of the development and performance of the business and the position of the group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

25 March 2011,

Marc Grynberg
Chief Executive Officer

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
Bedrijfsrevisoren
PricewaterhouseCoopers
Reviseurs d'Entreprises
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**STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING ON THE CONSOLIDATED ACCOUNTS OF THE COMPANY UMICORE SA/NV AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2010**

As required by law and the company's articles of association, we report to you in the context of our appointment as the company's statutory auditor. This report includes our opinion on the consolidated accounts and the required additional disclosures and information.

**Unqualified opinion on the consolidated accounts**

We have audited the consolidated accounts of Umicore SA/NV and its subsidiaries (the "Group") as of and for the year ended 31 December 2010, prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated accounts comprise the consolidated balance sheet as of 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flow for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The total of the consolidated balance sheet amounts to EUR (000) 3.511.598 and the consolidated statement of income shows a profit for the year (group share) of EUR (000) 248.727.

The company's board of directors is responsible for the preparation of the consolidated accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated accounts based on our audit. We conducted our audit in accordance with the legal requirements applicable in Belgium and with Belgian auditing standards, as issued by the "Institut des Reviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren". Those auditing 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 the auditing standards referred to above, we have carried out procedures to obtain audit evidence about the amounts and disclosures in the consolidated accounts. The selection of these procedures is a matter for our judgment, as is the assessment of the risk that the consolidated accounts contain material misstatements, whether due to fraud or error. In making those risk assessments, we have considered the Group's internal control relating to the preparation and fair presentation of the consolidated accounts, in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. We have also evaluated the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as the presentation of the consolidated accounts taken as a whole. Finally, we have obtained from the board of directors and Group officials the explanations and information necessary for our audit. We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

In our opinion, the consolidated accounts set forth on pages 77 to 120 give a true and fair view of the Group's net worth and financial position as of 31 December 2010 and of its results and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

**Additional remarks and information**

The company's board of directors is responsible for the preparation and content of the management report on the consolidated accounts.

Our responsibility is to include in our report the following additional remarks and information, which do not have any effect on our opinion on the consolidated accounts:

- The management report on the consolidated accounts set forth on pages 1 to 75 and 122 to 149 deals with the information required by the law and is consistent with the consolidated accounts. However, we are not in a position to express an opinion on the description of the principal risks and uncertainties facing the companies included in the consolidation, the state of their affairs, their forecast development or the significant influence of certain events on their future development. Nevertheless, we can confirm that the information provided is not in obvious contradiction with the information we have acquired in the context of our appointment.

- In the context of our audit of the annual accounts of Umicore SA/NV, 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 annual accounts of Umicore SA/NV.

Sint-Stevens-Woluwe, 24 March 2011

The statutory auditor
PricewaterhouseCoopers Reviseurs d'Entreprises / Bedrijfsrevisoren
Represented by

Raf Vander Stichele
Bedrijfsrevisor

PricewaterhouseCoopers Bedrijfsrevisoren coöperatieve vennootschap met beperkte aansprakelijkheid, burgerlijke vennootschap met handelsvorm
PricewaterhouseCoopers Reviseurs d'Entreprises société coopérative à responsabilité limitée, société civile à forme commerciale
Maatschappelijke zetel/Siège social: Woluwe Garden, Woluwedal 18, B-1932 Sint-Stevens-Woluwe
BTW/TVA BE 0429.501.944 / RPR Brussel - RPM Bruxelles / ING 310-1381195-01

## Assurance Statement for Environmental, Health, Safety and Social Reporting to Umicore

**Scope and objectives**

ERM Certification and Verification Services (ERM CVS) was commissioned by Umicore to provide independent assurance on the information and data reported in the Environmental and Social Reports in the 2010 Umicore Report to Shareholders and Society (the "Report") and the web-based management approach disclosure as of 17th March 2011.

The objective was to provide assurance that the following are an appropriate representation of Umicore's performance during 2010:

- The information and data set out in the Environmental and Social Reports on pages 36-73,
- 'Achievement overview for 2006-2010 Sustainable Development objectives' presented on pages 74-75,
- Umicore's declaration that its report meets the requirements of the Global Reporting Initiative (GRI) G3 application level B+ set out on pages 152-153.

**Respective responsibilities and independence**

Umicore is responsible for preparing the Report and the information contained within it.

ERM CVS is responsible for reporting to Umicore on its assurance conclusions. The work that ERM CVS conducts for clients is solely related to independent assurance activities and training programmes related to auditing techniques and approaches. Our processes are designed to ensure that the work we undertake with clients is free from bias and conflict of interest. ERM CVS and the staff that have undertaken work on this assurance exercise provide no other services to Umicore in any respect.

**Assurance approach and limitations**

We based our work on Umicore's internal guidance and definitions for the reported information. Our assurance approach is based on the International Standard for Assurance Engagements 3000: Assurance Engagements other than Audits or Reviews of Historical Information issued by the International Auditing and Assurance Standards Board (ISAE 3000); we used the Global Reporting Initiative (GRI) B level requirements as our criteria when assessing the indicators in our scope of work. The project team included specialists in both environmental and social issues.

Between October 2010 and March 2011 we undertook a series of activities, including:

- Visits to nine operational sites to review evidence to support reported data and performance against objectives, and to evaluate site level data management processes. These sites included Brugge (Belgium); Manaus and Americana (Brazil); Foshan and Changsha (China); Markham (Canada) and Arab (United States); Tottenham (Australia) and Hanau (Germany).
- Review of site visits undertaken by Umicore personnel at three sites: Gatterstadt (Germany), Schwäbisch Gmünd (Germany) and Balzers (Liechtenstein).
- Discussions with Umicore's CEO and other members of the Executive Committee, leaders of Umicore's Business Groups, as well as those with overall responsibility for Environmental and Social performance.
- Evaluation of corporate data management systems and selected interrogation of source and consolidated data *(ERM CVS could not verify the data presented in the report for Volatile Organic Compounds emissions, due to the confidentiality of the underlying data)*.
- Meetings with personnel responsible for collecting, reviewing and interpreting the data and information for representation in the Report.

**Conclusions**

Based on the assurance activities undertaken, we conclude that, in all material respects, Umicore has made appropriate representation of its:

a) Social and environmental performance as set out on pages 36-73;

b) Achievement overview for 2006-2010 Sustainable Development objectives set out on pages 74-75;

c) Assertion that the report meets the requirements of GRI G3 application level B+.

**Commentary**

During 2010, Umicore has continued to improve its social and HSE data collection and reporting processes (including for the first time collecting and reporting site level data on occupational health and industrial hygiene, and further updating its sustainability reporting guidelines).

The new "Vision 2015" sustainability objectives demonstrate that Umicore continues to see sustainable development as an important element of its business. Without affecting our conclusion above, ERM CVS identified the following challenges in maintaining and evolving Umicore's sustainability performance:

- embedding greater ownership and accountability over sustainability performance data at business and site level reducing reliance on group level checking;
- further clarification and guidance on Umicore's sustainability reporting definitions to improve consistency of application

Leigh Lloyd, Managing Director

17th March 2011

ERM Certification and Verification Services, London

www.ermcvs.com

Email: post@ermcvs.com

ERMCVS

# Corporate Governance Statement

Umicore has adopted the 2009 Belgian Code on Corporate Governance ("the Code") as its reference Code.

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

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

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 Group's value creation and for their adherence to Group strategies, policies, standards and sustainable development approach.

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 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 and also the specific role of the Audit Committee and of the Nomination & Remuneration Committee. This Statement provides information on governance issues which relate primarily to the financial year 2010.

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

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, Umicore has complementary regional management platforms in certain geographical areas. Umicore's corporate centre is based in Belgium. This centre provides a number of corporate and support functions in the areas of finance, human resources, internal audit, legal and tax, information technology and public and investor relations.

## Shareholders

### Issued shares

At 31 December 2010 there were 120,000,000 Umicore shares in issue. The history of the Umicore capital representation can be found at www.investorrelations.umicore.com as well as the identity of shareholders having declared a participation of 3 % or more.

On 31 December 2010 Umicore owned 6,476,647 of its own shares representing 5.40 % of its capital. Information concerning the shareholders' authorization for Umicore to buy back its own shares and the status of such buy-backs can be consulted in the Corporate Governance Charter and on Umicore's website respectively.

### Dividend policy and payment

Umicore's policy is to pay a stable or gradually increasing dividend. There is no fixed pay-out ratio. The dividend is proposed by the Board at the Ordinary General Meeting of shareholders. No dividend will be paid which would endanger the financial stability of the company.

In 2010 Umicore paid a gross dividend of € 0.65 per share relating to the financial year 2009. This was the same amount per share as the dividend paid in 2009 for the financial year 2008.

In August 2010, the Board decided to institute an interim dividend payment, corresponding to half of the total dividend paid for the previous year. As a result of this change a gross interim dividend of € 0.325 per share was paid as from 13 October 2010. On 9 February 2011 the Board decided to propose to shareholders a total dividend of € 0.80 per share relating to financial year 2010. The pay out of this dividend in May 2011 would therefore amount to € 0.475 per share (the total dividend less the interim payment).

### Shareholders' meetings 2010

According to the Company's Articles of Association, the Ordinary General Meeting (OGM) of shareholders takes place on the last Tuesday of April at 5 p.m.

The place of the shareholders' meeting is mentioned in the convening notice which is published at least 24 days prior to the "record date" (the "record date" being midnight of the fifth business day prior to the general meeting).

In 2010, the OGM took place on April 27. At this meeting shareholders approved the standard resolutions regarding the annual accounts, the appropriation of the results and the discharges to the Directors and to the statutory auditor regarding their respective 2009 mandates and auditing assignment. In addition the shareholders re-appointed Mr Shohei Naito and Mrs Isabelle Bouillot as Directors for a further three years. The OGM also approved the remuneration of the Board for 2010. Details of the fees paid to the Directors in 2010 are disclosed in the Remuneration Report.

On 29 October 2010, an Extraordinary General Meeting of shareholders authorised the Company and its subsidiaries to acquire, until 28 April 2012, Umicore shares within a limit of 10 % of the subscribed capital, at a price per share between € 4 and € 75. This EGM also approved the absorption through a merger operation - by the Company of its 100 % owned subsidiary Umicore Oxyde Belgium NV/SA.

## The Board of Directors

### Composition

The Board of Directors, whose members are appointed by the Shareholders' Meeting resolving by a simple majority of votes without any attendance requirement, must consist of at least six members. Their term of office may normally not exceed four years, but they may be re-elected.

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

On 31 December 2010, the Board of Directors consisted of ten members: nine non-executive directors and one executive director. On 31 December 2010, six of the ten directors were independent in accordance with the criteria laid down in Article 526ter of the Belgian Companies Code. These criteria are listed in Appendix 3 of Umicore's Corporate Governance Charter.

### Meetings and topics

During 2010, the Board of Directors held seven meetings during which the following matters were reviewed: the financial performance of the Group, the environmental, health and safety performance, the budget and operational and investment plans. The Board also reviewed the strategic headlines and development projects, including Vision 2015 and potential acquisitions. The annual performance review of the Chief Executive Officer and the other members of the Executive Committee in respect of the year 2009 was completed in February 2010. The Board also discussed the succession planning at the level of the Board and the Executive Committee. On 1 June 2010 the Board appointed Mr Denis Goffaux with effect as of 1 July 2010 as a new member of the Executive Committee in the capacity of Chief Technology Officer. In 2010 the Board also resolved to the distribution of an interim dividend; it also approved the draft terms of the internal merger of the Company and its 100 % subsidiary Umicore Oxyde Belgium NV/SA. The Board also visited the Umicore sites in Hanau and Pforzheim (Germany).

## Performance review of the Board and its Committees

The Chairman will conduct a review of the performance of the Board and its Committees in the course of 2011 and will discuss the results of this review with the Nomination & Remuneration Committee and subsequently with the Board.

## Committees

### Audit Committee

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

The Audit Committee consists of three non-executive directors, two of them being independent.

Four Audit Committee meetings were held in 2010. Besides the review of the 2009 accounts and those of the first half of 2010, the Committee also reviewed the following matters: the status of internal control projects, the tax department activities, the information technology common data management, the succession planning of the finance organization, the risk assessment process, the renewal of the statutory auditor mandate, and the internal audit activity reports. Furthermore, the Audit Committee conducted a review of its own performance and the fees paid to the statutory auditor.

### Nomination & Remuneration Committee

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

Three Nomination & Remuneration Committee meetings were held in 2010. During 2010 the Nomination and Remuneration Committee reviewed the remuneration policy for the Board members, the Board Committees members and Executive Committee members and the rules of the stock grant and option plans offered in 2010 as well as of the variable remuneration scheme for 2010. The Committee also conducted an end-of-mandate review of five board members, four of whom were later put forward for re-election by the shareholders. The Nomination & Remuneration Committee also discussed the succession planning at the level of the Board and the Executive Committee as well as the organisational changes resulting from the Vision 2015 strategy.

## 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 chaired by the CEO who is appointed by the Board of Directors. The members of the Executive Committee are appointed by the Board of Directors upon proposal by the CEO and recommendation of the Nomination & Remuneration Committee. The Executive Committee as a whole or any individual member can be dismissed at any time by the Board of Directors.

On 1 July 2010 Mr Martin Hess left Umicore and Mr Denis Goffaux was appointed member of the Executive Committee.

On 31 December 2010 the Executive Committee consisted of seven members including the CEO.

### Performance Review

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

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

## Relevant information in the event of a takeover bid

### Share transfer restrictions

The Company's Articles of Association do not impose any restriction on the transfer of shares. The Company is furthermore not aware of any restriction imposed by law except in the framework of market abuse regulations.

### Securities with special rights

The Company has not issued securities with special rights.

### Voting right restrictions

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

To the Board's best knowledge none of the voting rights attached to the shares issued by the Company were suspended by law on 31 December 2010, save for the 6,476,647 shares held by the Company itself on that date (Article 622 §1 of the Belgian Companies Code).

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

The Company has not issued such employee stock plans.

### Shareholders' agreements

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

### Amendments of the Articles of Association

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

### Authorized capital – buy-back of shares

The Company's share capital may be increased following a decision of the Board within the limits of the so-called "authorized capital".  The authorization must be granted by an Extraordinary Shareholders' Meeting; it is limited in time and amount and is subject to specific justification and purpose requirements. The Extraordinary Shareholders' Meeting held on 24 October 2006 (resolutions published on 13 November 2006) has authorized the Board to increase the Company's share capital in one or more times by a maximum amount of € 46,000,000. This authorization has not been used to date and will lapse on 12 November 2011. The Board will propose to the Shareholders' Meeting of 26 April 2011 to renew this authorization, for a maximum amount of € 50,000,000.

Following a resolution of the Extraordinary Shareholders' Meeting held on 29 October 2010 the Board is authorized to acquire own Company shares on a regulated market within a limit of 10 % of the subscribed capital, at a price per share comprised between € 4.00 and € 75.00 and for a duration of 18 months which will lapse on 28 April 2012. The same authorization was also granted to the Company's subsidiaries.

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

All the senior vice-presidents of the Group are entitled to a compensation equivalent to 36 months base salary in the event of a dismissal within twelve months of a change of control of the Company. As far as the members of the Executive Committee are concerned, reference is made to the Remuneration Report (p. 132-133).

## Art. 523 – 524ter Companies Code

On 10 February 2010, prior to the Board discussing or taking any decision, Marc Grynberg declared that he had a direct conflicting interest of a proprietary nature in the implementation of the decisions taken by the Board relating to his remuneration (including the grant of shares and options) and pension scheme.

In accordance with Article 523 of the Companies Code, Marc Grynberg did not take part in the Board's discussions concerning this decision and did not take part in the voting.

The financial consequences of the above decisions are described in the Board's annual report on the statutory accounts in accordance with the Belgian Companies Code.

During the financial year, no specific transactions or contractual commitments occurred between a Board member or an Executive Committee member on the one hand and Umicore or one of its affiliated companies on the other hand.

## The statutory auditor

The statutory auditor's mandate is subject for renewal at the 2011 Ordinary General Meeting. Upon proposal by the Audit Committee and nomination by the Works Council the Board will propose to the Annual Shareholders' Meeting to renew the mandate of the statutory auditor, PricewaterhouseCoopers Bedrijfsrevisoren/Réviseurs d'Entreprises BCVBA/SCCRL, jointly represented by BVBA Marc Daelman, represented by Marc Daelman, and Mrs Emmanuèle Attout (in replacement of the current legal representative, Mr Raf Vander Stichele).

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. The Code of Conduct contains a specific section on complaints and expressions of concern by employees and “whistleblower” protection.

The Code of Conduct is published in Appendix 4 to Umicore’s Corporate Governance Charter.

## Market Manipulation and Insider Trading

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.

## Compliance with the Code

Umicore’s corporate governance systems and procedures are in line with the Code with the exception of provision 8.8 regarding the required shareholding level of 5 % for a shareholder to submit proposals to the general shareholders’ meetings. For reasons of efficiency, Umicore previously decided not to endorse this provision for the time being, maintaining the sole possibility provided under Article 532 of the Belgian Companies Code to any shareholder representing 20 % or more of the Company’s capital to request that a general meeting of shareholders be convened by the Board of Directors. However, following the envisaged entry into force in 2011 of a new law on the exercise of certain shareholders’ rights in listed companies, shareholders holding alone or jointly at least 3 % of the subscribed capital will by law be entitled to submit proposals to the Shareholders’ Meetings.

# 2010 Remuneration Report

## Board of Directors' remuneration

### Remuneration policy for the Board of Directors

The procedure to develop a remuneration policy for the non-executive members of the Board consists in the first instance of a benchmarking survey requested by the Nomination & Remuneration Committee and conducted either internally or by an external consultant. This benchmark is made against the remuneration of board members of quoted companies on the BEL20 Index as well as other European companies of a similar size. The results of this survey are then reviewed and discussed within the Nomination & Remuneration Committee. Such a survey was conducted in early 2010 and was based on companies with a market capitalization between € 2 and 5 billion including BEL20 companies as well as European companies in the Chemicals, Metals and Materials sectors. Based on the results of that survey, the Nomination & Remuneration Committee concluded that Board and Committees' fees were in line with market pratices and it was decided that fees would be unchanged in 2010.

#### Non-executive directors' remuneration

The remuneration of a non-executive Board member was as follows in 2010:

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

The remuneration of a Committee member was the following in 2010 :

#### Audit Committee

- **Chairman:** € 6,000 per meeting attended
- **Member:** € 4,000 per meeting attended

#### Nomination and Remuneration Committee

- **Chairman:** € 4,000 per meeting attended
- **Member:** € 3,000 per meeting attended

### Changes to Board of Directors remuneration since the end of 2010

A survey in early 2011 was conducted against a benchmark group of companies having a market capitalization of between € 4 and 6 billion. This survey showed that Umicore Board fees are low in comparison to the benchmark. The Board will therefore recommend the shareholders to add an annual grant of restricted stock to the current fee structure starting in 2011. This grant would amount to 300 shares per Board member except the CEO. Subject to shareholder approval, such stock ownership would underscore the commiment of Directors and demonstrate alignment with the shareholders' interests. There will be a three year lock-up on the shares granted.

Based on a proposal of the Nomination and Remuneration Committee, the Board of Directors on 9 February 2011 approved the following changes to Board and Committee fees :

The Chairman of the Audit Committee will receive a fixed fee of € 10,000 per year compared to no fixed fee at present. His fee per attended meeting will be reduced to € 5,000 from € 6,000. The other members of the Audit Committee will receive a fixed fee of €5,000 compared to no fixed fee at present. Their fee per attended meeting will amount to € 3,000 compared to € 4,000 at present.

The Nomination & Remuneration Committee Chairman will receive a fee of € 5,000 per meeting compared to € 4,000 at present.

## 2010 Board remuneration overview

| Name | | Fees (in €) | Meetings attended |
|---|---|---|---|
| Thomas Leysen * (Chairman) | Fixed annual fee | 40,000 | |
| (non-executive director) | Fee per attended meeting | 5,000 | 7/7 |
| | Nomination & Remuneration Fees | 4,000 | 3/3 |
| | **Total remuneration** | **87,000** | |
| Marc Grynberg | No remuneration as a director | None | 7/7 |
| (executive director) | (see hereafter 2010 CEO remuneration) | | |
| Isabelle Bouillot | Fixed annual fee | 20,000 | |
| (independent, non-executive director) | Fee per attended meeting | 2,500 | 7/7 |
| | Nomination & Remuneration Fees | 3,000 | 3/3 |
| | Audit Committee Fees | 4,000 | 4/4 |
| | **Total Remuneration** | **62,500** | |
| Uwe-Ernst Bufe | Fixed annual fee | 20,000 | |
| (independent, non-executive director) | Fee per attended meeting | 2,500 | 7/7 |
| | **Total Remuneration** | **37,500** | |
| Jean-Luc Dehaene | Fixed annual fee | 20,000 | |
| (independent, non-executive director) | Fee per attended meeting | 2,500 | 6/7 |
| | **Total Remuneration** | **35,000** | |
| Arnoud de Pret | Fixed annual fee | 20,000 | |
| (independent, non-executive director) | Fee per attended meeting | 2,500 | 7/7 |
| | Audit Committee Fees | 4,000 | 3/4 |
| | **Total Remuneration** | **49,500** | |
| Shohei Naito | Fixed annual fee | 20,000 | |
| (independent, non-executive director) | Fee per attended meeting | 2,500 | 7/7 |
| | **Total Remuneration** | **37,500** | |
| Jonathan Oppenheimer | Fixed annual fee | 20,000 | |
| (non-executive director) | Fee per attended meeting | 2,500 | 7/7 |
| | **Total Remuneration** | **37,500** | |
| Guy Paquot | Fixed annual fee | 20,000 | |
| (independent, non-executive director) | Fee per attended meeting | 2,500 | 6/7 |
| | Nomination & Remuneration Fees | 3,000 | 3/3 |
| | **Total Remuneration** | **44,000** | |
| Klaus Wendel | Fixed annual fee | 20,000 | |
| (non-executive director) | Fee per attended meeting | 2,500 | 7/7 |
| | Audit Committee Fees | 6,000 | 4/4 |
| | **Total Remuneration** | **61,500** | |

* Benefits in kind: company car € 3,501.34

In 2008, the Board of Directors agreed on a four-year consultancy agreement with Booischot n.v., a company controlled by Thomas Leysen. The four-year agreement started on 1 January 2009 and involves an annual fee of € 300,000. At the request of Thomas Leysen, and in agreement with the Board, this agreement has been terminated with effect as of 31 August 2011.

# CEO and Executive Committee remuneration

## Remuneration policy for the CEO and Executive Committee

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

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

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

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

For the reported year the individual data for the CEO related to all remuneration components are reported in table on page 130 of this remuneration report. For the other Executive Committee members the data regarding fixed remuneration, variable remuneration, pension and other benefits are provided in aggregate while data related to share based incentives (shares and stock options) are provided on an individual basis.

## CEO's compensation & benefits

### Fixed remuneration

The CEO received a fixed remuneration of € 500,000 in 2010.

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

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

The other half, for which the pay-out is deferred, is based on the Umicore Group profitability criterion, i.e. the Return on Capital Employed (ROCE). The deferred pay-out is assessed over a multi-year timespan, with half of it paid after a period of two years based on the two years average ROCE. The other half is paid after a period of three years using as a reference the three years average ROCE. The ROCE range is set between 7.5 % and a maximum of 17.5 %. The cash bonus may be converted partly or totally into Umicore shares at the discretion of the CEO.

There is no claw back provision.

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

In 2011 the CEO will receive a cash bonus totaling € 240,000. This represents the undeferred individual component of his 2010 bonus.

### Share based incentives (share grant and stock options)

Umicore shares are granted to the CEO at the discretion of the Board of Directors in recognition of services rendered in the previous year. The number of shares granted to the CEO in 2011 for services rendered in 2010 was 3,000 with a price at grant of € 37.966 per share and a total value at grant of € 113,898. The grant was decided by the Board of Directors on 9 February 2011 and there is a three year lock-up on the shares granted.

In 2010, 90,000 stock options were granted to the CEO as part of the Umicore Incentive Stock Option Plan 2010, implemented by the Board of Directors on 10 February 2010. These options have a strike price of € 22.30 and had a notional value (calculated on the basis of the Present Economic Value model) at grant of € 462,600. The options can be exercised from 1 March 2013 until 14 February 2017. Stock options allow the beneficiary to acquire a specific number of Umicore shares at a fixed price (the exercise price) within a specific period of time. Stock options are not linked to individual or business performance criteria and as such should not be considered as a variable remuneration as meant under the Belgian Corporate Governance law of 6 April 2010.

### Pension and other benefits

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

## Total CEO remuneration for 2010

All components of the remuneration earned by the CEO for the reported year are detailed in the table below:

| Total remuneration earned by the CEO Marc Grynberg in 2010 | (in €) |
|---|---|
| Status of the CEO | Self-employed |
| Fixed Remuneration | 500,000 |
| Variable Remuneration<br>(paid for the reported year) | 240,000 |
| Value of the share grant 2011 | 113,898 |
| Value of the incentive stock options 2010 | 462,600 |
| Pension | |
| - Defined contribution plan | 184,184 |
| - Defined benefits plan (service cost) | 41,599 |
| Other Benefits :<br>Representation allowance, benefits in kind (company car) and insurance | 28,196 |

## Executive Committee Members compensation & benefits

### Fixed remuneration

The fixed remuneration is different for each Executive Committee member and depends on criteria such as experience. In aggregate in 2010 the Executive Committee (excluding the CEO) received € 1,918,990 in fixed remuneration.

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

Umicore has adopted a variable remuneration scheme in the form of a cash bonus which aims to ensure that all Executive Committee members are rewarded in line with their individual performance as well as the overall performance of the Umicore Group.

All the members of the Executive Committee will be eligible for the same gross bonus potential for the reference year 2010, in a range from € 0 to € 280,000. Half of the bonus involves an undeferred pay-out, based on the annual individual performance (including adherence to Group values, environmental and social performance).

The other half, involving a deferred pay-out, is based on the Umicore Group ROCE profitability criterion. The deferred pay-out is assessed over a multi-year timespan, with half of it paid after a period of two years, using the two year average ROCE as the reference. The other half is paid after a period of three years based on the three year average ROCE. The ROCE range is set between 7.5 % and a maximum of 17.5 %.

The performance of the Executive Committee members is initially assessed by the CEO. The annual performance of each Executive Committee member is discussed with the Nomination & Remuneration Committee. The results are presented by the Chairman of the Nomination & Remuneration Committee to the Board of Directors and discussed by the Board.

In 2011 the Executive Committee will receive aggregate cash bonuses totaling € 572,500 in respect of the undeferred individual component of their 2010 bonuses.

There is no claw back provision.

### Share based incentives (share grant and stock options)

Umicore shares are granted to the Executive Committee at the discretion of the Board of Directors in recognition of services rendered in the previous year. The number of shares granted to the Executive Committee in 2011 for services rendered in 2010 was 16,500 (3,000 per member with the exception of Denis Goffaux who received 1,500 shares as he assumed his position as Executive Committee member on 1 July). The total aggregate value at grant was € 624,303. The price at grant was €37.966 per share with the exception of William Staron (€37.270) and Pascal Reymondet (€ 37.950). The grant was decided by the Board of

Directors on 9 February 2011 and there is a three year lock-up on the shares granted.

In 2010, 150,000 stock options (25,000 options per member) were granted to the Executive Committee as part of the Umicore Incentive Stock Option Plan 2010, implemented by the Board of Directors on 10 February 2010. Denis Goffaux received stock options in his capacity prior to being appointed to the Executive Committee and these options are therefore not included in this total. The options granted to a former member of the Executive Committee, Martin Hess, who retired from Umicore on 30 June, are included in the total. The options have a strike price of € 22.30 and had a notional value at grant (calculated on the basis of the Present Economic Value model) of € 771,000. The options can be exercised from 1 March 2013 until 14 February 2017.

### Pension and other benefits

Pensions include both defined contribution plans and the service cost of defined benefit plans. Other benefits include representation allowances, company cars, insurance and expatriation benefits. In relation to the latter, two members of the Executive Committee receive the usual expatriate perquisites in accordance with local market practices. In the frame of the early retirement of Martin Hess and in line with the pension commitments linked with his employment contract, an additional service cost relating to his previous years of service was included in the total pension service cost. This is included in the aggregate amount of €1,118,301.

## Total aggregate Executive Committee remuneration for 2010

| Total remuneration earned, in aggregate, by members of the Executive Committee in 2010 (not including the CEO) | (in €) |
|---|---|
| Fixed Remuneration | 1,918,990 |
| Variable Remuneration<br>(paid for the reported year) | 572,500 |
| Value of the share grant 2011 | 624,303 |
| Value of the incentive stock options 2010 | 771,000 |
| Pension | |
| - Defined contribution plan | 194,474 |
| - Defined benefits plan (service cost) | 1,118,301 |
| Other Benefits :<br>Representation allowances, company cars, insurance, benefits linked to expatriation,... | 420,832 |

# Share and share option ownership and transactions 2010

## Executive Committee share option ownership and transactions 2010

| Name | Options at 31 Dec 2009 | Options granted in 2010 | Number of options exercised | Average Exercise Price (in €) | Year of grant of options exercised | Number of options forfeited | Options at 31 Dec 2010* |
|---|---|---|---|---|---|---|---|
| Marc Grynberg | 192,500 | 90,000 | 42,500 | 11.022 | 2004 / 2005 | 0 | 240,000 |
| Hugo Morel | 125,000 | 25,000 | 50,000 | 17.733 | 2005 / 2006 | 0 | 100,000 |
| Marc Van Sande | 75,000 | 25,000 | 0 | | | 0 | 100,000 |
| Martine Verluyten | 89,625 | 25,000 | 0 | | | 0 | 114,625 |
| Denis Goffaux** | 13,000 | 3,500 | 2,500 | 22.546 | 2006 | 0 | 14,000 |
| Pascal Reymondet | 75,000 | 25,000 | 12,500 | 26.546 | 2007 | 0 | 87,500 |
| William Staron | 40,000 | 25,000 | 7,500 | 27.360 | 2007 | 0 | 57,500 |

* These options can be exercised at strike prices between € 14.44 and € 32.57.

** Granted in his capacity prior to appointment to the Executive Committee

In 2010, Thomas Leysen (former CEO) exercised 125,000 options (ISOP 2004) at an exercise price of € 8.64 and 125,000 options (ISOP 2005) at an exercise price of € 12.92.

Details of all options exercised and other share-related transactions of Executive Committee or Board members can be found on www.cbfa.be

## Executive Committee share ownership 2010

| Name | Shares owned at 31 Dec 2009 | Shares owned at 31 Dec 2010 |
|---|---|---|
| Marc Grynberg | 100,000 | 136,000 |
| Hugo Morel | 21,250 | 24,250 |
| Marc Van Sande | 15,800 | 18,800 |
| Martine Verluyten | 12,500 | 15,500 |
| Denis Goffaux | 0 | 0 |
| Pascal Reymondet | 8,750 | 11,750 |
| William Staron | 2,250 | 5,250 |

## Board of Directors share ownership 2010

| Name | Shares held at 31 Dec 2009 | Shares held at 31 Dec 2010 |
|---|---|---|
| Thomas Leysen | 886,020 | 1,001,020 |
| Isabelle Bouillot | 0 | 0 |
| Uwe-Ernst Bufe | 0 | 0 |
| Jean-Luc Dehaene | 135 | 0 |
| Arnoud de Pret | 5,000 | 5,000 |
| Shohei Naito | 0 | 0 |
| Jonathan Oppenheimer | 0 | 0 |
| Guy Paquot | 2,000 | 2,000 |
| Klaus Wendel | 7,125 | 7,125 |

## Contractual relationships

### Contract between Umicore and Marc Grynberg, Chief Executive Officer

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

• In case of termination of the contract by Umicore, a total compensation equivalent to 18 months of his annual base salary will be paid.

• A total compensation of three years of annual base salary as minimum indemnity will be paid to the Chief Executive Officer if his function as Chief Executive Officer would be terminated within a 12 month period following a change of control due to a takeover bid (not cumulative with the previous provision).

• It is at the Board of Directors' discretion as to whether the cash bonus would form part of any final indemnity.

### Contracts between Umicore and Executive Committee members

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

### Individual arrangements in case of termination of the contract by Umicore

Denis Goffaux was appointed Chief Technology Officer on 1 July 2010. Taking into account Denis Goffaux's seniority in the Umicore Group a total compensation equivalent to 18 months of his annual base salary will be paid. In line with the Belgian Corporate Governance Law of 6 April 2010, the Nomination and

Remuneration Committee recommended this arrangement and this was approved by the Board of Directors on 1 June 2010. It is at the Board of Directors' discretion as to whether the cash bonus would form part of any final indemnity.

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

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

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

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

# Risk Management and Internal Control Framework

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. Internal control mechanisms exist throughout Umicore to provide the management with reasonable assurance of the company's ability to achieve its objectives. These controls cover the effectiveness and efficiency of its operations, the reliability of financial processes and reporting and its compliance with laws and regulations.

## 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) process that each business unit and corporate department 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.

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 strategic positioning, funding or macroeconomic risks.

## Internal Control

The Internal Control environment at Umicore is shaped in the first instance by The Umicore Way and Code of Conduct. Specific Internal Control mechanisms have been developed by business units at their level of operations, while shared operational functions and corporate services set controls for cross-organizational activities. These give rise to specific policies, procedures and charters covering areas such as supply chain management, human resources, information systems, environment health and safety, legal, corporate security and research & development.

In 2008 Umicore introduced a system of Minimum Internal Control Requirements (MICR) to specifically address the mitigation of financial risks and to enhance the reliability of financial reporting. Umicore's MICR framework requires all Group entities to comply with a uniform set of internal controls covering 164 control activities in 12 "cycles" (see Financial Risks on p. 136-137 for a detailed list) and 134 Group entities. A minimum compliance threshold is established for each control activity with the ultimate goal being to achieve maximum compliance in all Umicore's entities. In 2010 the introduction and roll-out process of MICR was successfully completed. The process was sufficiently well embedded to enable the majority of entities to move from the implementation phase towards a sustainability plan in 2011. MICR compliance is monitored by means of annual self assessments to be signed off by Senior Management and their outcome is reported to Corporate Finance, which presents a consolidated report to the Executive Committee.

## Monitoring and oversight

A specific monitoring role is given to Umicore's Internal Audit department in order to provide assurances that the risk management process is respected, that the minimum internal control requirements are met, 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 carries 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 and financial conditions, technological changes, corporate reputation, political and legislative environment.

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

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

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

# Strategic and operational risks

## Market risk

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

## Technology risk

In recent years Umicore has evolved into a materials technology Group with a strong focus on the development of innovative materials and processes. The choice and development of these technologies represents the single biggest opportunity and risk for Umicore. In order to manage this risk and to enhance the effectiveness of technology screening and implementation processes Umicore carries out technology reviews at Executive Committee level every year. In 2010 six such reviews took place. All business units are also expected to carry out an annual technology review. The purpose of these technology reviews is to verify the suitability, potential and risks of those technologies that are screened and pursued and to ensure that they are in line with Umicore's strategic vision. In 2009 Umicore adopted a system to track the quality of its research and development efforts. This system is primarily based on a self-assessment tool for the business units and Group R&D and was fully deployed through the organization during 2010.

In terms of organization Umicore's R&D efforts comprise initiatives at both Group and business unit level. A Chief Technology Officer (CTO) was appointed in 2005. Among other elements the CTO is tasked with ensuring the co-ordination of the various R&D efforts throughout the Group. Five R&D platforms provide a framework for those elements that have a high degree of relevance across the Group namely Fine Particle Technology, Recycling & Extraction Technology, Scientific and Technical Operations Support, Environment Health and Safety and Analytical Competences. Efforts are also made to promote best practice in knowledge management, information sharing, training and networking throughout the R&D community at Umicore.

In 2010 Umicore spent the equivalent of some 6 % of Group revenues (excluding metal content) on research and development. To the greatest extent possible, the financial support for the R&D efforts is maintained irrespective of short-term fluctuations in the financial performance of the Group

With regard to intellectual property (IP) risk, a Group IP committee co-ordinates the protection of IP at Group level and promotes best practice in this regard at the level of the business units, which have their own IP committees. Umicore filed 42 patents in 2010.

## Supply risk

Umicore is reliant on supplies of certain metals or 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. Umicore has developed a Sustainable Procurement Charter and in 2010 undertook a pilot sustainable procurement project to evaluate a limited group of suppliers. The Charter has been designed to drive further improvements in the company's approach to sustainable procurement and is being rolled out towards Umicore's suppliers.

## Substitution risk

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

## Regulatory risk

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

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

By 30 November 2010 registration files for the most hazardous substances in the highest tonnage bracket had to be submitted to the European Chemicals Agency (ECHA). Umicore submitted 108 registrations for 95 different substances covering 13 European legal entities. The files were either jointly prepared together with other companies acting in consortia or by Umicore itself. All costs associated with REACH compliance, including the cost of registration, are covered under normal operating expenditures.

# Financial risk

As indicated on p. 134 above, Umicore has implemented a specific series of Minimum Internal Control Requirements to mitigate financial risks. The 12 specific areas covered by MICR are: Internal Control Environment, Financial Closing & Reporting, Fixed Assets, Procure-To-Pay, Order-To-Cash, Inventory Management, Hedging, Treasury, Tax, Information Systems Management, Human Resources, Travel & Entertainment. Below three of the most salient financial risks have been summarized. A full description of pure financial risks and their management can be found in Note 3 to the 2010 Financial Statements.

## Debt and credit risk

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

## 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. At the end of 2010 Umicore's sensitivity to movements in the EUR-USD exchange rate (in the absence of any hedging arrangements and for non-metal-price related elements only) 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 2010. Transactional currency exposure is hedged to the maximum extent possible while the company sometimes engages in structural currency hedges that help secure future cash flows.

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

## Metal price risk

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

## Taxation

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

# Stakeholder relations

Umicore is a publicly listed company. As such, it interacts with a number of parties who have an interest in the way in which the company conducts business. The relationship that the company is able to foster with these parties or stakeholders has a direct impact on the company's success.

Stakeholder engagement at Umicore is, in the first instance, based on a localized approach whereby all sites are required to identify their respective stakeholders and to establish suitable plans for engagement. This approach was formalized with the introduction of the Group-wide sustainable development objectives in 2006. Each site was expected to have formulated a clear plan for stakeholder identification and engagement by 2010. At the end of 2010 some 96 % of all sites had outlined their plans in this regard – up from 29 % in 2006, 60 % in 2007, 78 % in 2008 and 90 % in 2009. In many instances, such as the dialogue with customers and suppliers, the stakeholder relationships are primarily managed by the business units themselves, in line with Umicore's de-centralized approach to managing its businesses.

At Group level the company has initiated the identification of its main stakeholders and has undertaken a more formal, structured dialogue with these parties.

The company is a member of the networking group KAURI in Brussels. This has opened the door to a broader dialogue with stakeholders, notably non-governmental organizations. Although this network has a predominantly Belgian and European focus it is expected to serve as an important springboard for the development of an even broader stakeholder identification and feedback mechanism. The new set of Vision 2015 objectives for the period 2011-2015 (see page 8-11) were developed partly from the lessons learned from an external sounding board in 2009 to review Umicore's reporting on its sustainability objectives. This sounding board complemented an internal exercise conducted with representatives of business units, shared operational functions and corporate departments. The focus in 2010 was on finalizing these objectives and communicating them through the organization.

Umicore is an active participant in various industry associations through which it engages with policy makers in order to contribute to the better understanding of industry-related issues. These associations are also important platforms for Umicore to contribute to broader, industrywide action on sustainable development. On a less formal level, members of Umicore's senior management are often called upon or volunteer to participate in public fora to discuss Umicore's business performance and sustainable development approach. Such events provide the opportunity to interact with various groups including business leaders, academics and civil society.

Highlighted below are Umicore's main stakeholder groups. These have been categorized in broad terms using generic stakeholder categories that apply to most industrial organizations. 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: revenues
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 2010 Umicore paid these suppliers some € 8.7 billion (including the metal content of raw materials).

Umicore is engaged in constant dialogue with its suppliers, primarily to define technical specifications as well as 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 has traditionally taken care to source its materials and services from suppliers of good standing and reputation. In the past Umicore's procurement approach was primarily focused on business ethics and adherence to the principles of Umicore's Code of Conduct. In 2005 this approach was further detailed in a group-wide Procurement Policy which set out certain standards regarding procurement within Umicore. As a next step, Umicore developed a Sustainable Procurement Charter in early 2010 (http://www.umicore.com/sustainability/sustProcCharter/) the implementation of which is making good progress. As sustainable procurement is such an important topic for a materials technology company like Umicore it was decided to make it a specific focus in the Vision 2015 objectives covering 2011-2015.

## Customers

Umicore provides: materials and services
Customers provide: revenues

Umicore's ambition is 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 and which help contribute to a cleaner environment.

Umicore has an increasingly international customer base, with 37 % of 2010 turnover being generated outside Europe (excluding Metals Management operations).

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 Umicore make products that are sold directly to the public. The business units are responsible for providing support to their customers in order to better understand the hazards and risks of any products that are either in the market or in development. 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 most technologically advanced businesses the relationship with the customer is often closely integrated. Developing advanced products often involves years of research and development work in direct collaboration with such customers.

## Employees

Umicore provides: remuneration, training and learning opportunities
Employees provide: skills, competences & productivity

Umicore and its associates employ some 14,400 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 2010 Umicore paid a total of € 528 million in the form of salaries and other benefits to the employees of its fully consolidated companies. Social security payments totalled € 109 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 three-yearly employee opinion survey (see page 58-59 for the results of the 2010 survey).

Umicore respects the principle of collective bargaining wherever it is requested. While such practice is commonplace in Europe, in some other locations collective bargaining mechanisms and trade unions are less common or face local legal restrictions. In September 2007 Umicore signed a sustainable development agreement with the International Metalworkers' Federation and the International Federation of Chemical, Energy, Mine and General Workers' Unions on the global Group-wide implementation of its policies on human rights, equal opportunities, labour conditions, ethical conduct and environmental protection. The agreement allows both trade unions to participate constructively in the pursuit of these objectives. A joint monitoring committee composed of both parties sees to the implementation of the agreement.

Supplementary channels of company-wide communication include the Group intranet and a world-wide in-house newspaper "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 2010 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. These communication efforts include management roadshows and site visits, conferences, investor fairs for individual investors, webcasts and conference calls. During 2010 16 brokerage firms published equity research notes on Umicore. In 2010 Umicore was awarded the prize for offering the best financial information by the Belgian Association of Financial Analysts.

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 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 and innovative products and processes
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 does the 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 Umicore's social objectives for 2010 (see page 61-67) and will continue to be a focus in the scope of the Vision 2015 strategy. 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. Umicore is also a member of Business and Society a Belgian alliance of companies and civil society groups as well as the Corporate Funding Programme, a Belgian development programme, grouping companies and NGOs.

## Associate and joint venture companies

Umicore provides: investment and guidance
Associate and joint venture companies provide: contribution to Umicore profits, technological complementarities, market access

Umicore has investments in various business activities over which it does not exercise full management control. Associate companies are those in which Umicore has a shareholding of more than 20 % but less than 50 % while joint ventures usually entail a 50:50 split in ownership and control. Joining forces is seen as a way to speed up technological developments or gain access to specific markets. Umicore has effective management control in half of the ten associate and joint venture companies in which it holds a stake. Where management control is not exercised by Umicore, representation on the Board of Directors is the way in which Umicore is able to guide and control the management and monitor business developments. Although Umicore cannot impose its own policies and procedures on any associate (or indeed any joint venture where it does not possess majority voting rights) there is a clear communication of Umicore's expectation that the operations be run in accordance with the principles of the Umicore Way.

Umicore is rigorous in safeguarding any intellectual property that it shares with associate or joint venture partners. A full list of associate and joint venture companies can be found on page 96 of this report.

## Public sector and authorities

Umicore provides: taxes
Public sector and authorities provide: services and formal licence to operate

Umicore paid a total of € 72 million in taxes as a result of its operations in 2010. Umicore and its employees also contributed a total of some € 109 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. A total of some € 15 million of grants were awarded in 2010 relating primarily to planned R&D projects. Some € 10 million of cash relating to previously-awarded grants was received in 2010. The company has a policy of not making donations to political parties or organizations.

In 2010 Umicore intensified its efforts to foster contacts with public authorities worldwide. These efforts are co-ordinated through the Government Affairs department and focus primarily on Europe and North America. Umicore aims to raise the profile and understanding of Umicore's technologies, and to add its voice to the discourse about materials-related issues. In Europe this has centred on the availability of raw materials (particularly from the perspective of a "circular" economy), resource efficiency and waste legislation. Umicore's initiatives also encompass gaining access to EU and national government funding, particularly in the context of programmes to support the development of breakthrough technologies with environmental benefits.

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 company is mindful of the sensitivity of taking positions on issues of public interest. With this in mind Umicore has developed Group-wide guidelines regarding how this should be done in a responsible way (these can be downloaded on the Group website). The main organizations on which Umicore is currently (both at corporate and business unit level) are listed below:

Corporate:

- World Business Council for Sustainable Development (WBCSD)
- European Round Table of Industrialists (ERT)
- Eurometaux
- TransAtlantic Business Dialogue (TABD)
- French Federation of Minerals and Non-Ferrous Metals (FEDEM)
- Agoria (Belgian multi-sector federation for the technology industry)
- Fuel Cells Europe

Catalysis:

- Emission control associations at regional and national level (US, SA, Brazil, China, European Union) – see http://www.automotivecatalysts.umicore.com/en/links/for a selection of links
- German Chemical Federation (VCI)

Energy Materials:

- Cobalt Development Institute
- Nickel Institute
- European Photovoltaic Industry Association (EPIA)

Performance Materials:

- International Zinc Association
- International Platinum Association
- European Precious Metals Federation
- German Precious Metals Federation

Recycling:

- European Electronics Recyclers Association
- International Association of Electronics Recyclers
- International Association of Portable Rechargeable Batteries (RECHARGE)
- International Platinum Association
- International Precious Metals Institute
- International Antimony 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

## Thomas Leysen, 50
### Chairman, Non-Executive Director

Thomas Leysen became Chairman of Umicore in November 2008 after having served as Chief Executive Officer of Umicore since 2000. He is also Chairman of Corelio, a Belgian media company. He is a member of the Board of micro-electronics research centre IMEC, a member of the supervisory Board of Bank Metzler, Germany, and a member of the board of Compagnie Maritime Belge (CMB), Etex Group and UCB. He took up the position of Chairman of the Federation of Enterprises in Belgium (FEB/VBO) in April 2008.

Director since: 10 May 2000
Expiry of mandate: Ordinary General Meeting of 2012
Chairman since: 19 November 2008
Chairman of the Nomination & Remuneration Committee since: 19 November 2008

## Marc Grynberg, 45
### Chief Executive Officer, Executive Director

Marc Grynberg was appointed Chief Executive Officer of Umicore in November 2008, succeeding Thomas Leysen. He joined Umicore in 1996 as Group Controller. He was Umicore's Chief Financial Officer (CFO) from 2000 until 2006, after which he became the head of the Group's Automotive Catalysts business unit until his appointment as Chief Executive Officer. Marc holds a Commercial Engineering degree from the University of Brussels (Ecole de Commerce Solvay) and, prior to joining Umicore, worked for DuPont de Nemours in Brussels and Geneva.

Director since: 19 November 2008
Expiry of mandate: Ordinary General Meeting of 2012
Chief Executive Officer since: 19 November 2008

## Isabelle Bouillot, 61
### 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 President of China Equity Links and a member of the boards of Saint-Gobain and Dexia.

Director since: 14 April 2004
Expiry of mandate: Ordinary General Meeting of 2013
Member of the Audit Committee since: 13 April 2005
Member of the Nomination & Remuneration Committee since: 13 April 2005

## Uwe-Ernst Bufe, 66
### Independent, Non-Executive Director

Uwe-Ernst Bufe was CEO of Degussa until May 2000. He is a member of the Board of Akzo Nobel N.V. (Netherlands) as well as a non-executive member of the Board of SunPower Inc. (USA).

Director since: 26 May 2004
Expiry of mandate: Ordinary General Meeting of 2011

## Jean-Luc Dehaene, 70
### Independent, Non-Executive Director

Jean-Luc Dehaene has occupied several ministerial posts and was Prime Minister of Belgium from 1992 to 1999. He is Chairman of Dexia as well as a member of the Board of AB InBev, Corona-Lotus and of Thrombogenics. He is a member of the European Parliament.

Director since: 1 October 1999
Expiry of mandate: Ordinary General Meeting of 2011

## Arnoud de Pret, 66
### 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 AB InBev, Delhaize Group, Sibelco, UCB, L'Intégrale and of the French company Lesaffre & Cie. He is a member of the Supervisory Board of Euronext BV Amsterdam.

Director since: 10 May 2000
Expiry of mandate: Ordinary General Meeting of 2011
Member of the Audit Committee since: 1 January 2001

From left to right: Guy Paquot, Shohei Naito, Jonathan Oppenheimer, Géraldine Nolens (Secretary to the Board), Jean-Luc Dehaene, Isabelle Bouillot, Thomas Leysen, Marc Grynberg, Klaus Wendel, Arnoud de Pret, Uwe-Ernst Bufe

## Shohei Naito, 67
### Independent, Non-Executive Director

Shohei Naito started his career at the Japanese Ministry of Foreign Affairs. At the Ministry he served as Director General for Consular Affairs & Migration and as Chief of Protocol. Mr Naito has filled several diplomatic functions overseas and he was appointed as Ambassador in 1996. Since that date he has served as Japan's ambassador to Cambodia, Denmark concurrently with Lithuania and Belgium. He left the diplomatic service at the end of 2006. He is now Senior Fellow at The Japan Institute of International Affairs.

Director since: 25 April 2007
Expiry of mandate: Ordinary General Meeting of 2013

## Jonathan Oppenheimer, 41
### Non-Executive Director

Jonathan Oppenheimer joined the De Beers Group in 1994 and became a Director of De Beers S.A. in 2006. He is also a member of its Executive Committee. He is also the chairman of De Beers Canada Inc. and of Element Six Abrasives 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 2011

## Guy Paquot, 69
### 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 and on 30 June 2010 he resigned as Chairman of the Board of Compagnie du Bois Sauvage where he still holds a mandate of Board member. He is Chairman of Neuhaus and a member of the Boards of Recticel, Noel Group and Serendip as well as the Quartier des Arts foundation.

Director since: 13 April 2005
Expiry of mandate: Ordinary General Meeting of 2011
Member of the Nomination and Remuneration Committee since: 13 April 2005

## Klaus Wendel, 67
### Non-Executive Director

Klaus Wendel, after a career in financial management with General Electric (USA), Siemens, Cockerill Sambre and CBR, joined Société Générale de Belgique in 1988 as member of the Executive Committee, responsible for group control. Since 2000 he has been an independent consultant. He is member of the Board of Recticel.

Director since: 26 July 1989
Expiry of mandate: Ordinary General Meeting of 2012
Chairman of the Audit Committee since: 13 April 2005

## Karel Vinck
### Honorary Chairman

# Executive Committee

From left to right: Denis Goffaux, Marc Grynberg, Pascal Reymondet, Marc Van Sande, Martine Verluyten, William Staron, Hugo Morel

## Marc Grynberg, 45
### Chief Executive Officer

Marc Grynberg was appointed Chief Executive Officer of Umicore in November 2008, succeeding Thomas Leysen. He joined Umicore in 1996 as Group Controller. He was Umicore's CFO from 2000 until 2006, after which he became the head of the Group's Automotive Catalysts business unit until his appointment as Chief Executive Officer. Marc holds a Commercial Engineering degree from the University of Brussels (Ecole de Commerce Solvay) and, prior to joining Umicore, worked for DuPont de Nemours in Brussels and Geneva.

## Martine Verluyten, 59
### Chief Financial Officer

Martine Verluyten joined Umicore in 2006 from Mobistar, Belgium's second largest mobile phone operator, where she also held the position of Chief Financial Officer. Before that she held a number of international positions at advanced plastics firm Raychem, both in Belgium and the United States. She started her career with KPMG as an auditor. Besides her position as Chief Financial Officer, she also is responsible for Information Systems.

## Hugo Morel, 60
### Executive Vice-President Recycling

Hugo Morel holds a Masters degree in Metallurgical Engineering from the University of Leuven. He joined Umicore in 1974 and held several positions in production, commercial, strategy and general management. He headed the Zinc Chemicals business unit from 1996 to 1997 and was appointed to his present position in 1998. He joined the Executive Committee in 2002. Besides heading the Recycling business group, he also is responsible for Corporate Security and Procurement & Transport.

## Pascal Reymondet, 51
### Executive Vice-President Performance Materials

Pascal Reymondet holds an MSc from Stanford University and an Engineering degree from the Ecole Centrale in Paris. He held different 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 to be in charge of the Precious Metals Products group. In September 2007, he was appointed to head the Zinc Specialties business group. In June 2010 he assumed responsibility for the Performance Materials business group.

## William Staron, 62
### Executive Vice-President Catalysis

William Staron holds a degree in Mechanical Engineering from Ohio University and has a long experience in the catalyst industry. During his time at Engelhard (now BASF), he headed the Environmental Catalyst, Specialty Minerals & Colors, and the Chemical Catalyst Groups. William joined Umicore in 2003 as Senior Vice-President for Automotive Catalysts in North America. In 2007 he was appointed Head of Global Research & Technology for the Automotive Catalysts division. In October 2008 he became head of that business unit and member of the Executive Committee.

## Marc Van Sande, 58
### Executive Vice-President Energy Materials

Marc Van Sande holds a PhD in Physics from the University of Antwerp as well as an MBA. He joined Umicore in 1980, and held several positions in research, marketing and production. In 1993 he was appointed Vice-President of the Electro-Optic Materials business unit and he joined the Executive Committee as Executive Vice-President of Advanced Materials in 1999. He assumed the role of Chief Technology Officer between 2005 and 2010 after which he took the helm of the Energy Materials business group.

## Denis Goffaux, 43
### Chief Technology Officer

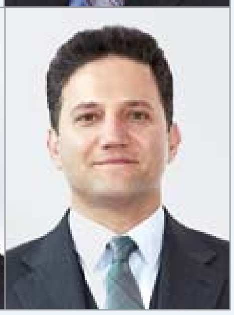
Denis Goffaux holds a degree in mining engineering from the University of Liège. He joined Umicore Research in 1995 and has lived and worked in Belgium, Chile, China and Korea. Prior to moving to Japan in 2006, Denis was head of the Rechargeable Battery Materials business line and successfully developed the business into a world leader in cathode materials for lithium ion rechargeable batteries. In his capacity as Country Manager Japan, Denis Goffaux laid strong foundations for Umicore to grow its industrial presence and commercial activities in Japan. He was appointed to his present post in July 2010. Besides his position as Chief Technology Officer, he also is responsible for Environment, Health & Safety.

# Senior Management

## Catalysis

Dieter Lindner
Senior Vice-President
Automotive Catalysts
Research & Technology

Michael Neisel
Senior Vice-President
Automotive Catalysts
Europe & Africa



Arjang Roshan
Senior Vice-President
Automotive Catalysts
Asia Pacific

## Energy Materials

Michel Cauwe
Senior Vice-President
Electro-Optic Materials

Klaus Ostgathe
Senior Vice-President
Thin Film Products

Jan Vliegen
Senior Vice-President
Future Business
for Energy Materials

Dirk Uytdewilligen
Senior Vice-President
Cobalt & Specialty
Materials

## Recycling

Dietmar Becker
Senior Vice-President
Jewellery & Industrial
Metals

Koen Demesmaeker
Senior Vice-President
Precious Metals
Refining

Ralf Drieselmann
Senior Vice-President
Precious Metals
Management

## Corporate

Stephan Csoma
Senior Vice-President
Government Affairs

Ignace De Ruijter
Senior Vice-President
Human Resources

Edwin D'Hondt
Senior Vice-President
Information Systems

Guy Ethier
Senior Vice-President
Environment,
Health & Safety

Egbert Lox
Senior Vice-President
Group R&D

Géraldine Nolens
Senior Vice-President
Legal Affairs

## Regions

Bernhard Fuchs
Senior Vice-President
Greater China

Franz-Josef Kron
Senior Vice-President
South America

Luc Gellens
Senior Vice-President
Japan

## Performance Materials

Pierre Van de Bruaene
Senior Vice-President
Building Products

Guy Beke
Senior Vice-President
Zinc Chemicals

Joerg Beuers
Senior Vice-President
Technical Materials

# Glossary

## Economic definitions

### API – Active pharmaceutical Ingredient

Biologicaly active substance used in drugs.

### Catalysis / catalyst

Catalysis is a chemical process whereby one of the elements used in the reaction process, the catalyst, makes this chemical reaction possible, or speeds up this process, without being consumed in the reaction process, and therefore can be re-used.

### Cathode

The cathode is the positive side in a (rechargeable) battery. In the charging phase ions are released from the cathode and migrate to the anode (negative side), thereby storing electricity. In the discharging phase, the ions move back to the cathode, thereby releasing electricity.

### Charitable donation

A donation to a not-for-profit organization that is not for the commercial benefit of Umicore. Donations can be in cash or in kind. Political donations are not permitted.

### Electroplating

Electroplating is a plating process in which metal ions in a solution are moved by an electric field to coat another material. The process is primarily used for depositing a layer of material to bestow a desired property on that other material.

### HDD - Heavy Duty Diesel

Large diesel vehicles – either on-road such as trucks and busses or non-road such as heavy plant and mining equipment or locomotives and agricultural equipment.

### (H)EV - (Hybrid) Electrical Vehicle

Vehicle (passenger car or other) that runs fully or partially (hybrid) on electricity, rather than on conventional fuel.

### HVACR - Heating, Ventilation, Air-Conditioning & Refrigeration

Generic term for heating, ventilation, air-conditioning and refrigeration systems

### ITO – Indium Tin Oxide

A transparent conducting oxide used in specific layers for its electrical conductivity and optical transparency. It is used in diverse applications, such as flatscreen displays, photovoltaics and architectural glass.

### LDV - Light Duty Vehicle

Primarily passenger cars – using either diesel or gasoline fuel, or other.

### LED - Light Emitting Diode

LEDs are a semiconductor-based light source offering many advantages over traditional incandescent light sources, among which long lifetime and energy efficiency.

### Li-ion – Lithium ion battery

Lithium ion is a technology for rechargeable batteries in which lithium ions move from the positive electrode (the cathode) to the negative electrode (the anode) during the charging phase, thereby storing electricity. In the discharging phase, the lithium ions move back to the cathode, thereby releasing. electricity.

### NMC – Lithium (Nickel-Manganese-Cobalt) oxide

Relatively new type op cathode material, which is used in the emerging (H)EV market, but also more and more in portable electronic applications.

### OEM - Original Equipment Manufacturer

Often used as an abbreviation for a company that purchases, for use in its own products, a component made by a second company. It is typically used to designate car manufacturers.

### PCBN - Polycrystaline Cubic Boron Nitride

The second hardest known material, diamond being the hardest. Unlike diamond, it is not found in nature, but is a manufactured material. The abrasive particles are synthesised under conditions similar to those used to produce synthetic diamond.

### pgm - platinum group metals

Platinum, palladium, rhodium, ruthenium, iridium and osmium (in Umicore's case it refers mainly to the first three).

### PV - PhotoVoltaics

Photovoltaics is a method of generating electrical power by converting solar radiation directly into electricity.

### Pre-weathered

A surface finishing technique for zinc which gives the new product the aspect of having already been exposed to the elements.

### Refining/recycling fee

Charge to be paid by the supplier of raw materials to the metal refiner for the treatment of its material and the extraction of metals from the raw material. In case of end-of-life materials, recycling is used in the terminology.

### Rotary target

A cylindrical material composite used in thin film deposition by sputtering. It allows better total material deposition efficiencies than conventional targets.

### Salts

In chemistry, salts are ionic compounds that can result from the neutralization reaction of an acid and a base.

### Spot prices

The price / rate that is quoted for immediate payment and delivery of a commodity or currency. This is in contrast with the forward price where contract terms are set now, but delivery and payment will occur at a future date

### Substrate

A surface onto which a layer of another substance is applied. In automotive catalysts the substrate is the honeycomb structure, which enhances the surface area, on which the catalytic solution is deposited. In photovoltaics, semiconductors such as germanium are used as substrates, on which the rest of the solar cell layers are deposited.

### UHT - Ultra High Temperature

Umicore patented Ultra high temperature process (>3000°C°) using plasma technology to treat and recycle materials using less energy than traditional processes

## Social and environmental definitions

### Biodiversity
The variability among living organisms from all sources including, inter alia, terrestrial, marine, and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems.

### Biomarker of exposure
Substance or its metabolite that is measured in biological fluids (e.g. blood) to assess internal body exposure.

### Chemical Oxygen Demand
Indirect measure of the amount of organic pollution that cannot be biologically oxidized in a sample of water.

### Combined Heat Power Cogeneration
The use of heat to generate electricity.

### Concentrates
Ore or metal separated from its containing rocks or earth.

### Decibel
Unit of noise level.

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

### Greenhouse gases
Gases contributing to global warming such as $CO_2$, methane, nitrous oxide.

### 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.

### Headcount
Number of employees (blue collar, white collar, managers) on Umicore's payroll at the end of the reported period. Number includes part-time, old age part-time and temporary employees but excludes employees with a dormant contract and subcontracted employees.

### Hours of training per person
Average number of training hours per employee - including internal and external training and training on-the-job. Training on-the-job can include the hours a person is being trained on the shop-floor, without being fully productive. The total number of training hours is divided by the headcount.

### ISO 14001
'International Standards Organisation' specification for environmental management systems (ref. ISO).

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

### Microgramme per gramme creatinine
Unit of metal content in urine

### Microgramme per deciliter blood
Unit of metal content in blood.

### Nano material
Materials consisting of microscopic particles with at least one dimension less than 100 nanometers.

### OHSAS 18001
'Occupational Health and Safety Assessment Series': a Health & Safety management system.

### Process safety
Safety issues related to the use and storage of hazardous chemical substances that may present a hazard to the employees, neighbouring people and the environment.

### REACH
'Registration, Evaluation and Authorization of Chemicals'; new EU chemicals policy.

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

### Recovery
The collection of waste materials recovered by third parties with the aim of returning them to the recycling process.

### Recycled materials
Materials that have ended a 1st life cycle and will be re-processed through recycling leading to a 2nd, 3rd ...lifetime.

### Retrospective epidemiological study
Study of events that already happened to examine the relationship between occurrence of disease and environmental or occupational factors.

### 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.

### Secondary raw materials
By-products of primary material streams.

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

### Sickness rate
Total number of working days lost due to sickness; excluding longterm sickness and days lost due to maternity leave. This number is related to the total number of working days per year (e.g. 260 days).

### Strike Days
Number of days lost due to 'declared' strikes. This figure does not include days lost due to workers who were willing to work but were not able to do so because of the strike. Work-stoppages of less than one day are not counted, unless they are repeated over a longer period of time.

### 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).

### Temporary workers
Umicore employees with a temporary contract. They are not considered part of the stable workforce, but are included in the total headcount.

### Voluntary leavers
Number of employees leaving at their own will (excluding lay-offs, retirement, and end of fixed-term contract). This number is related to the total headcount.

## Financial definitions

### Average capital employed
For half years: average of capital employed at start and end of the period; For full year: average of the half year averages.

### Capital employed
Total equity (excluding fair value reserves) + net financial debt + provisions for employee benefits – deferred tax assets and liabilities – IAS 39 impact.

### Capital expenditure
Capitalized 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.

### EBIT
Operating profit (loss) of fully consolidated companies, including income from other financial investments + Group share in net profit (loss) of companies accounted for under equity method.

### EPS
Earnings per share for equity holders.

### EPS, basic
Net earnings, Group share / average number of outstanding shares.

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

### Gearing ratio
Net financial debt / (net financial debt + equity of the Group).

### IAS 39 effect
Non-cash timing differences in revenue recognition in case of nonapplication of or non-possibility of obtaining IAS hedge accounting to

a) transactional hedges, which implies that hedged items can no longer be measured at fair value, or

b) structural hedges, which implies that the fair value of the related hedging instruments are recognized in the income statement instead of the equity and this prior to the occurance of the underlying forecasted or committed transactions, or

c) Derivatives embedded in executory contracts, which implies that the change in fair value on the embedded derivatives must be recognized in the income instatement as opposed to the executory component where the fair value change in the income statement cannot be recognized.

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

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

### 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. Any writedowns on those metal inventories permanently tied up in operations are part of the non-recurring EBIT of the business groups.

### Outstanding shares
Issued shares– treasury shares.

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

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

### Recurring EBITDA
Recurring EBIT + recurring depreciation and amortization of fully consolidated companies.

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

### Recurring EPS
Recurring net earnings, Group share / average number of (issued shares – treasury shares).

### Return on capital employed (ROCE)
Recurring EBIT / average capital employed.

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

### R&D expenditure
Gross research and development charges, including capitalised costs.

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

# GRI Index

Umicore has been applying the principles of the Global Reporting Initiative (GRI) to its reporting framework since the publication of the 2005 Report to Shareholders and Society. The index shows where to find information on the core elements and indicators of the GRI in this report. Umicore moved to a B+ level reporting in its 2008 Report to Shareholders and Society. A full GRI index is available on Umicore's website (www.umicore.com/sustainability/griIndex). More information on the GRI, the complete set of indicators with the full definitions and the various application levels can be found at www.globalreporting.org

| Reference | Indicator | Pages |
|---|---|---|
| | **General** | |
| | **1. Strategy and Analysis** | |
| **1.1** | CEO and Chairman Statement | 3-4; comments on organisation membership can also be found on p. 141 |
| **1.2** | Description of key impacts, risks and opportunities | 3-4; 7; 8-11; 39; 45; 61; 69; 86-87; 134-141; detailed sustainability profiles can be accessed at www.umicore.com/sustainability |
| | **2. Organizational Profile** | |
| **2.1 - 2.2** | Name, products / services | Front cover; 8-11; 21; 25; 29; 33 |
| **2.3 - 2.7** | Structure, geographical presence, markets served | 8-11; 21; 25; 29; 33; 56-57; 88; 122; 135; 140; inside cover; inside back cover; see also www.umicore.com/en/ourBusinesses |
| **2.8** | Scale | 6-7; 56-57 |
| **2.9** | Significant changes in size, structure or ownership | 1; 8-11; 21; 25; 29; 33; 55 |
| **2.10** | Awards received in 2010 | 64; 139 |
| | **3. Report Parameters** | |
| **3.1 - 3.4** | Report profile, contacts points | Front cover; 1; inside back cover |
| **3.5 - 3.13** | Report scope and assurance | 1; 4; 6; 14; 19; 23; 39; 45; 61; 69; 70; 72; 96; 115; 119-120; 140; 152-153; see also the management approach section at www.umicore.com/sustainability |
| | **4. Governance, Commitments, and Engagement** | |
| **4.1 - 4.7** | Structure and governance | 1; 122-133; 142-147 for all governance related elements please refer also to website for access to Corporate Governance Charter (www.governance.umicore.com/en/charter) and Code of Conduct (www.governance.umicore.com/en/CodeOfConduct) |
| **4.8 - 4.11** | Internal guidelines and policies | inside cover; 122; 125; 134; see also www.governance.umicore.com/en |
| **4.12 - 4.13** | Adherence to external initiatives | inside cover; 47; 126; 140-141 |
| **4.14 - 4.17** | Stakeholder engagement | inside cover; 1; 62; 138-141 |
| | **5. Management Approach and Performance Indicators** | Full details of the management approach regarding economic, environmental and social elements can be found at www.umicore.com/sustainability/approach; the summary of Group key performance indicators can be found on p.7 |
| | **Economic indicators** | |
| | **Economic Performance** | |
| **EC1** | Economic value generated and distributed | 17; 19; 62-63; 91-93; 140 |
| **EC3** | Coverage of the organization's defined benefit plan obligations | 103-106 |
| **EC4** | Significant financial support received from government | 140 |
| | **Indirect Economic Impacts** | |
| **EC8** | Development and impact of investments for public benefit | 62-63 |

| | Environmental Indicators | |
|---|---|---|
| | **Materials** | |
| EN2 | Percentage of materials used that are recycled input materials | 7; 23; 27; 31; 35; 39; (see also business unit profiles at www.umicore.com/sustainability) |
| | **Energy** | |
| EN3 - EN5 | Direct and indirect energy consumption by primary energy source and energy saved | 40; 43; 48 NB direct and indirect energy consumption is grouped in one indicator |
| EN6 | Initiatives to provide energy-efficient or renewable energy based products and services | (Indicator partially reported) 8-9; 21; 25; 33 (detailed sustainability profiles of each business group can also be accessed at www.umicore.com/sustainability) |
| EN7 | Initiatives to reduce indirect energy consumption and reductions achieved | 40; 48 (indicator partially reported) |
| | **Water** | |
| EN8 | Total water withdrawal by source | 40; 43 |
| | **Biodiversity** | |
| EN11 | Location and size of operations in or adjacent to protected areas and areas of high biodiversity | (Indicator partially reported); 43 |
| | **Emissions, Effluents and Waste** | |
| EN16 - 17; EN20 | Greenhouse gases, other emissions to air | 40-42; 43; 46; NB direct and indirect greenhouse gas emissions are grouped in one indicator |
| EN21 | Water discharge | 40; 47-48 |
| EN22 | Waste | 40; 41; 43 |

| | Social Indicators | |
|---|---|---|
| | **Labour Practices & Decent Work** | |
| LA1-LA2 | Employment | 6; 7; 55-57; 64; (LA1 partially reported) |
| LA4 | Employees covered by collective bargaining arrangement | 67 |
| LA7 | Health and safety | 64; 69-72 (indicator partially reported) |
| LA10 | Training | 66 |
| LA13 | Composition of governance bodies and breakdown of employees per category | 67; 92; 122-126; 142-147 |
| | **Human rights** | |
| HR3; HR5-7 | Collective bargaining, child labour, forced / compulsory labour | 67; 134; 135 see also Code of Conduct at www.governance.umicore.com/en/CodeOfConduct (HR3 indicator partially reported) |
| | **Society** | |
| SO1 | Community relations | 62-63 |
| SO2; SO3 | Corruption | 67; 134-135; 140 all businesses are subject to the annual business risk assessment which covers all elements related to the Code of Conduct; Umicore is a signatory of the UN Partnership Against Corruption Initiative (PACI) (SO3 indicator partially reported) |
| SO5 - SO6 | Public policy | 140 |
| | **Product Responsibility** | |
| PR1 | Customer health and safety | 49 (indicator partially reported) |
| PR3 | Product and service information | 49 (indicator partially reported) |

# Financial calendar (1)

**26 April 2011**
General meeting of shareholders (financial year 2010)
Press-release and trading update for the first quarter of 2011

**29 April 2011**
Share traded ex-dividend

**4 May 2011**
Payment of dividend starts

**4 August 2011**
Press-release and interim results for the first half of 2011

**20 October 2011**
Press-release and trading update for the third quarter of 2011

**9 February 2012**
Press-release and results for the financial year 2011

**24 April 2012**
General meeting of shareholders (financial year 2011)

# Additional information

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**Annual report**
This report is also available in French and Dutch

**Internet**
This report can be downloaded from the Umicore website: www.umicore.com

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(1) Dates are subject to change. Please check the Umicore website for updates to the financial calendar.

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