Good morning everyone and thank you for joining Umicore's conference call this morning. The reason for the call this morning is to provide some color to the brief trading update we released this morning and to answer any questions that you may have regarding the update. Given the low market visibility, which has been prevailing since the beginning of the COVID-19 outbreak, I thought it would be appropriate to provide you with an update of trading conditions since we last spoke at the end of April.

As I mentioned in the previous communications, my priority is to keep Umicore employees safe and healthy, and we adopted a comprehensive set of precautionary measures early on at Umicore in order to minimize the risk of on-site contamination. We have also provided support to our employees to help them stay healthy outside the workplace.

All in all, our preventive approach has so far proven effective. With the number of infected employees has remained very low and I'm grateful that my colleagues have been following the sanitary guidelines with a high degree of discipline.

The good news general, generally speaking, is that we have moved past the peak of the pandemic in several regions, allowing society to gradually reopen. I would like to use this occasion to express, once more, my admiration to those who have fought and continue to fight the pandemic on the front lines.

This gradual reopening is also a positive development for Umicore employees. You will recall from the communication at the end of April that we had to shut down most of our automotive catalyst plans outside China, Korea and Japan following the closure of many of our automotive customers assembly lines. As a result of these shutdowns, about 10% of Umicore employees had been furloughed. This number is now down to 3% of our employees.

Let me know elaborate on the developments in automotive catalyst since our last communication at the end of April.
In China, we have seen demand for automotive catalysts recover in recent weeks somewhat faster than was anticipated at the end of April and Umicore's catalyst production in China is now back to full capacity. While this is a very satisfactory development, it is impossible to make out today if demand will remain equally sustained in the second part of the year.

Outside China, the picture is less buoyant. Automotive OEMs have, gradually restarted production in most plants, albeit with some delays compared to their original schedule. In addition, car sales are picking up at a modest place in Europe and North America; they remained subdued in Korea, Japan and Southeast Asia; and they are very weak in South America where the pandemic is, unfortunately, still gaining ground. We have resumed catalyst production in all regions and tune it to the pace of market recovery.

The faster than expected recovery in China is more or less compensating for the more subdued developments in other regions and, all in all, the comments we made at the end of April and the directional guidance we provided then regarding the automotive catalyst business remained valid and I still expect the full year recurring EBIT of the segment to be well below the levels of 2019.

You may also recall from our communication at the end of April that we were assuming that global car production for the full year would be down approximately 25% compared to 2019. My views in this respect have not changed.

The sales of electric vehicles have also been substantially affected by the COVID-19 crisis, leading to a downturn in the demand for cathode materials. The full effect of this downturn, as anticipated, has started to be felt in the second quarter. The comments we made at the end of April and the directional guidance we provided then are still very much valid and similar to Catalysis. I expect full year recurring events in Energy and Surface Technologies to be well below the levels of 2019.

While market visibility remains pretty limited in the short term, the midterm picture in Energy and Surface Technologies remains very promising. The crisis has not changed the need for a transition to cleaner mobility and several stimulus programmes have just been announced in China and in Europe, which should support the adoption of electric mobility. In China for instance, the existing subsidy scheme for new energy vehicles has been extended by two years through the end of 2022. In Germany and France, new incentive schemes are being introduced with subsidies up to 9,000 euro for buyers of electric vehicles. Additional stimuli programs may be announced soon in Europe and new budgets have been set aside to accelerate the installation of charging stations.

Our investment project in Poland is making good progress and we expect commissioning to start towards the end of this year on schedule. This investment will help address the growing European demand and the support we have just obtained from the European Investment Bank goes to show how well this project fits into the plans of the European Union to develop a sustainable and innovative battery value chain in the region.

In Recycling, we continue to benefit from very good market conditions across the board. High availability and good supply mix for the Precious Metals Refining operations as well as in Jewelry and Industrial metals; high metal prices; high demand for investment products and favorable trading conditions for the Precious Metals Management business. Regarding metal prices, rhodium keeps standing out and proving supportive.

I expect the contribution from the Recycling segment to be well above the levels of 2019 and market expectations. However, this strong performance may not be evenly distributed over the two halves of the year, taking into account some seasonality effects and the fact that the scheduled maintenance shutdown on the Hoboken plant will take place in the second half of this year. You may recall that in 2019 we had an extended shutdown in Hoboken in the first half of the year, and of course it remains to be seen how metal prices and trading conditions will develop in the second half.

Having commented on the expected performance of the three business groups - well above 2019 for Recycling and well below for Catalysis and E&ST - where does this leads in terms of group performance?

Today, I can provide some guidance for the first half and say that we expect recurring EBIT in the first half of the year to be broadly in line with the levels achieved in the first half of last year. This reflects a significant increase in the contribution from Recycling and lower results in Catalysis and Energy and Surface Technologies, as expected.

Unfortunately, it remains impossible at this point in time to formulate any reliable quantified guidance for the full year as visibility over market demand in the second half remains too low.

Back at the end of April, notwithstanding the limited visibility, we communicated that we expected full year recurring EBIT for the group to be well below the levels of 2019. The directional guidance we gave them still stands today. In other words, I still expect full year requiring it to be below the levels of last year.

A few comments regarding or balance sheet before opening the floor to your questions.

As you could read in the press release this morning, we have continued to increase liquidity since the end of April. We now have 1.5 billion euro of immediately available cash, an improvement of some 300 million euro since we last spoke. Or balance sheet is strong and we have a well-balanced debt profile with no maturities of any material size in the near term. Or capex plans where adjusted at the beginning of the pandemic, and we still expect full year capex spend to be in the range of 400 to 450 million euro in line with guidance we provided at the end of April.

Finally our net debt has increased since the beginning of this year due to the high PGM prices. These high PGM prices do benefit the margins in Recycling. At the same time, as Filip explained back in April, they result in higher working capital requirements.

With this, I would now like to open the floor to your questions. From a practical point of view, you will have to raise your questions through the chat box, and Evelyn will act as moderator on our side.

Thank you Marc, and we have a first question from Geoff Haire: do you expect recycling to be at record EBIT levels this year, as in 2H 11 Recycling delivered an EBIT of 153 million euros and now in the first half you expect to be above this level? Also, can you give us some guidance for depreciation in H1 and H2?

It will all depend on the metal prices and trading conditions that will develop in the second half of the year, and that is difficult or impossible to make out today by definition. But assuming that current metal prices and trading conditions would persist throughout the balance of the year, we indeed would expect to achieve very, very high results in the Recycling segment, as I mentioned in my introductory remarks, all the planets are aligned today. We have a very good supply availability and very high quality of the supply mix, supportive metal prices, supportive trading conditions as well as good demand for investment products. So all in all if these conditions continue to prevail, yes, we should have a very strong performance for the full year. Please bear in mind though, that there is some degree of seasonality in the results of the Recycling segment, for instance in the Jewelry & Industrial Materials business unit, and that unlike last year, the scheduled maintenance shutdown of the Hoboken plans will take place in the second part of this year.

And maybe on the depreciation. So based on the Capex guidance we have given, we would guide for a D&A level for the full year of about 270 million euros. You know that there may be some timing effect, so it's never an exact science. And for the first half obviously will give you the exact number in in in July, but for the first half I would guide towards something like 130 million euros of depreciation charges.

We have a question from Ranulf also for Filip on the working capital bridge: what is capacity utilization today in Catalysis, RBM and CSM? Presumably inventories were run down and now ramping back up with receivables coming down. What about working capital in Recycling going up on metal prices? What are the mechanics of the rising working capital in Recycling? So quite a lot of questions.

What I would say in terms of working capital is that the main driver is clearly metal prices. I mean, especially when it's a combination of precious metals and PGM prices which really drive working capital in Catalysis. You will see also in the turnover numbers that we will be reporting that this price effect is again quite substantial. You ask good questions in terms of the mechanics of this impact; the fact that you have different plants operating at different levels at different points in time (for example the difference between China and the rest of the world) make it very difficult to answer your questions, and I would say the disruption to the supply chain means that it's very difficult to give details. But obviously when plants shut, you have inventory already on board, so to bring that down is not that straightforward. Another example, as plants ramp up again (for example in China) you get indeed an increase in receivables, so it's really a mixed effect. I would say that most of the effect clearly is metal price driven in Catalysis. The other element I would add is that in Recycling you know we have the Hoboken operations which are relatively low in working capital, but we also have some other businesses in Recycling such as the Jewelry & Industrial Materials business, the Precious Metals Management business which may also feel an impact from metal prices. I hope that answers your complete question but I will provide some more granularity at the end of July.

A question from Mutlu on the EV subsidies: when you expect these subsidies in Europe and China to benefit your sales numbers?

It's a very complicated question to answer today, because as I mentioned already at the end of April, I do not expect that buying a new car would be top of minds for most consumers. Clearly the COVID-19 crisis and the ensuing recession are having an impact on the purchasing power of consumers. And there are probably other priorities in terms of consumer behavior today then going back immediately to the dealership to buy a new car. Let's face it, buying a new car is a decision that in many instances you can postpone if your purchasing power is being affected. The good news that I see is definitely that electrified mobility is being confirmed as the solution of the future in terms of cleaner mobility for passenger car applications, and that the willingness of a number of regions to go in that direction is totally unaffected by the crisis. So it is good to see that the stimulus programs are focused on clean mobility instead of, like was the case in 2008, to be undifferentiated. So I see that as a positive, but clearly it is difficult for me to put a timing on this – we'll have to see at sales figures of new cars and how the order books of our customers are filled in the next few weeks. Visibility is pretty limited in that respect today.

A question on Recycling: how much of the profit increase has been metal price volatility and how much was a function of higher prices?

Those who follow Umicore for quite a while may recall what I said on a number of occasions in the past and that is that when metal prices are high and volatility is high, the contribution of Precious Metals Management to the segment results is disproportionately high and this is one year where we observe this phenomenon and to the full extent. So I would not want to quantify that and can indeed confirm that the contribution from both metal prices, in particular for the unhedged portion, and the high volatility are proving a significant factor in the current picture and are proving extremely supportive.

A question from Charlie Web: can you please provide us more details in terms of what you're seeing in your battery material business to date? Is this business down in line with market? Have you seen the sequential recovery? Is there greater competition for new volume win?

I believe that we are doing in line or slightly better than the market. You have undoubtedly been monitoring EV sales in recent weeks and months and have seen that they have remained fairly depressed in all regions around the world. I don't know when they will pick up. I mean, I refer to the previous question and the impact of subsidy schemes - it remains to be seen when sales of EVs will recover. So I believe that in that context we have, based on the view I have on our business and on the market, done relatively well, meaning in line or slightly better than the market. But the market is not being good. Let's be clear about it. Now there is one factor also to be taken into account and that is the fact that our customers in the battery value chain had been gearing up for a significant growth in battery production in the course of 2020 and have developed capacity and inventories to prepare for that. Now with the significant decline in EV sales there has been a widespread correction in the value chain of inventory levels and that has to a certain extent exacerbated the decline in demand. So the picture is not great and as I mentioned, back in April, clearly the picture is not great for Catalysis and it's not great for Rechargeable Battery Materials and in the overall context I believe we're doing relatively well and are continuing to prepare for future growth as we also indicated in the release.

Question on Recycling again: can you talk about the very good supply and trading conditions? Which areas where the strongest and where do you stand in terms of capacity utilization in Hoboken?

Perhaps I will start with the last part of the question, because that's indeed a topic that I have not addressed in my remarks and has proven a significant factor. As I mentioned in the in prior years, we had been working on ramping up the new capacity quite systematically and in the course of last year continued to make investments to be able to ramp up to the full potential of the plant. As I mentioned also on previous occasions, this effort was going to be done by the end of 2019 such that we would be able to benefit from the full potential in 2020 and I'm happy to report that this is indeed the case and is also explaining part of the spectacular improvement in results and expected performance compared to 2019.

Maybe to follow up on the improving trading conditions as Euro 5 diesel catalysts are now coming back and China has introduced stricter rules on end of life electronics - has that helped?

Definitely these two factors continue to help: the availability of spent catalyst will continue to improve in the coming months and years because of the time lag effect between the moments these catalysts are being produced and fitted on cars and the moment they are collected at the end of the useful life of the car and become available for recycling. So typically there is a time lag of let's say sometimes a little more 12 years, which means that today we see the inflow of catalyst from Euro 5 generations starting to come through to the market in growing numbers and at a later point in time you will start to see the Euro 6 catalyst and China 6 catalyst and we have still time to prepare for that, but clearly the trend is very supportive.
For electronic scrap there is the same observation and factors as mentioned last time that continue to prevail. The availability of electronic scrap continues to be good, and the fact indeed that China has closed its borders to solid waste is one of the reasons behind that.

A question for Filip on the hedges. Have you increased more of the 2020/2021 price exposure for the different precious metals compared to what was said end of April?

There's nothing really new to mention compared to what we said end of April that has been done for 2020. I mean the large majority (so more than 2/3) of certain precious metals and PGMs were hedged in terms of the expected exposure, and for 2021 we have a majority for those same metals hedged as well. There was no change versus end of April. Obviously again the caveat that rhodium is not hedgeable.

We move back to cathode materials. LFP cathodes are getting traction in China. Do you see the same trends in Europe and what does it means for you?

No, we do not see a similar trend in Europe. And my personal view on the subject is that LFP is probably appropriate for niche applications (lower range as lower energy density). And what differentiates China and Europe is that in China there is quite some available spare capacity for LFP while in Europe there is no overcapacity at all for cathode materials and the market is going clearly for NMC and similar technologies. In China, there is the appropriate use of LFP for certain less demanding applications AND the existence of ample available capacity.

We go to autocats again. For the first half of 2020, do you expect the autocats operations to be profitable at EBIT level?

Yes, I do, modestly profitable indeed, given what we experienced in in the second quarter of this year. I should say since mid March, but in particular indeed the second quarter you have seen the car sales statistics for the months of April and May all over the world. Outside of China, the markets are being extremely weak, so that will have an impact. This being said, yes, again I can repeat and confirm that the autocats business in the first half will be in the black.

How much of the working capital build for the new cathode plants did you take last year and how much is left to invest this year? And will you have the net working capital investment for Poland this year or next?

So I think the first one is referring to China and the second question specifically on Poland.

Working capital increase, we've got it for the first half of this year, so this does not yet include the expansion in Poland. So what we mentioned is that it's metal prices, precious metals and PGMs and so that means that for most of this ramp up the investment in working capital will come next year since we will mean might give the timing in terms of the commissioning of the plan, so that will take place next year and most of that we still need to have. Obviously that doesn't mean that we haven’t secured part of the working capital in recent years, but most of it you will see coming through and in terms of timing that will be next year.

Back to the cathode market: so we discussed already LFP, but there's also the hybrid NMCA chemistry. How is Umicore looking at this evolution? And would you be able to supply NMCA if needed?

As I've mentioned in the previous occasions, when we talk about NMC, we actually refer to the broad family of technology that includes these nickel materials; nickel, cobalt and other components. So that covers equally NCA and hybrid technologies like NMCA indeed.
So it depends on the customer; certain customers have preferences for NCA's, other for straight NMC’s, some others go for the hybrid version. We work on all the fronts with our customers and are indifferent as to the choices made by customers. Actually were in a position where we can supply any of these to our customers.

A few questions from Chetan: clearly you state an upside to H1 recurring EBIT from Recycling versus consensus. Are Catalysis and E&ST in the right ballpark, or do you see upside or downside to these numbers?

To be clear, I do not see any upside to these numbers compared to the market consensus and in a way that's why I've confirmed that the directional guidance that we provided at the end of April for both Catalysis and Energy & Surface Technologies was still very much valid. So there is no change since the end of April in these business group that would lead us to revisit the guidance. And unfortunately today I do not see upside. I wish I could say something different but the reality of the automotive market is what it is with very, very depressed figures for Q2 car sales and question marks for the remainder of the year.

Are you able to give any color on the cathode material volumes in the first quarter and the second quarter? And based on current trends, do you think cathode material volumes will grow for the full year 2020?

I will reserve that question for the half year publication. By the end of July we should have a bit more color on that and hopefully somewhat better visibility. I would prefer not to answer that question today.

Can you discuss where the big part of the capex cuts for 2020 is directed?

Filip Platteeuw: Strategic projects remain intact.
Marc Grynberg: I think that what Filip just mentioned is really, really crucial, so let me answer the question the other way around. Where have we not cut? We have not cut on any environment health and safety related capex and we have not cut on the strategic growth projects like for instance our current investment program in Poland because we need to be ready in time with these production capabilities to Serve the European market.

We go back to recycling. Why is rhodium mentioned more often than Palladium in recycling? Does it mean you are over exposed to this metal versus the other PGMs?

No, it's actually because there is a technical difference or mechanical difference between the two metals is that Palladium is hedgeable and as a matter of fact we had hedged a sizable part of our exposure while rhodium is not hedgeable. And therefore not hedged and has a more significant impact on the variation in results therefore.

A few questions on our competitive position in the RBM. What are you doing to protect your leading position in rechargeable battery materials, you always talked about scale being important to cost, but what about Ningbo building over 300,000 tons of capacity? Is this a threat you? How are you responding to that?

I do not get carried away by announcements, and announcement effects and I would also advise you not being carried away by these announcements. The reality on the ground is pretty different compared to all the announcements. So, next to scale, which is important, I would like to repeat that what matters are joined development programs with the customers; it's a technology play and the ability to scale up. It's not only the scale that matters and the ability to scale up complex technologies in line with the rapid ramp up of schedules of the automotive and battery customers, and meeting the stringent quality requirements of the automotive industry. These are very challenging propositions and this is where Umicore is thriving so our focus remains what I've mentioned in previous occasions, that it was technology developments, joint development programs with the customers, it’s process improvements, it is quality and at the same time it is building scale.

There are a few questions on chemistries in cathode materials, on LFP, we have covered that. But where do we stand in the development of our Silicon and Silicon based anodes?

Yeah, it's as we mentioned the last time we spoke about it, which was in the course of last year, these new anode materials are being sampled and tested by a certain number of customers, not yet in the automotive applications, though, so that is still ongoing. And while the first generation of materials is being sampled and tested, we have already started to work on the next generation of these materials for future applications.

There we go to the guidance of the first half. When you say that you expect it to be broadly in line with the levels of the first half of 2019, does this mean within the single digit range on either sides?

Uh, yes, I have to do the math now. I would say give or take €10 million on either side. That's what I mean by broadly.

Will the RBM business be profitable in H1 2020?

Yes.

Going back to recycling so when we talked about the capacity in recycling, you did mention that we had the increasing capacity, but you didn't answer on the capacity utilization. So if you could clarify that in Hoboken.

It is very high. It is very high so you must assume that we have achieved the ramp that we said a while ago that we would achieve and that we are operating in an optimal manner. Please bear in mind though that we constantly make a trade off between volumes and the mix in order to optimize our returns in that business. So when I mentioned that we have reached the optimal point it is taking into account these trade offs, so it doesn't necessarily mean that we're pushing through the maximum volumes. It's a combination of high volumes, high capacity utilization, an ideal mix. High quality, high value mix.

And what about the utilization rates in RBM in your Korean and Chinese cathode plants?

Well, it's pretty much in line with what you see in the market today. That's what I mentioned earlier. We are doing relatively well in the sense that we are moving in line or slightly better than the markets, and so the capacity utilization reflects that. So it's not great, it's not where we want it to be, and which means that from a margin and operating leverage point of view, this is one of the factors which will weigh on the results and that's why back in April already, we mentioned that the results there will be well below the levels of 2019. So there is a indeed quite a way to go for us to be back to better capacity utilization rates.

Question for Phillip again can you explain liquidity increasing by 300 million since April? There is only €125 million of additional borrowing, so why did your liquidity increase by € 300 million?

OK, maybe I need to clarify that, I think you need to differentiate between on the one hand liquidity, and on the other hand, the net financial debt on the balance sheet, so that financial debt we wanted to update you to say that we see an increase. And again that's working capital; it’s the topic there because we've seen in terms of market expectations that there were some market expectations for seeing stable net financial debt or even a declining net financial debt. So we just wanted to give that guidance. Liquidity is a different concept, liquidity is what cash availability do you have and if you would need it in the future and so that actually increased between the 1.2 billion of liquidity end of April and one and a half now. I think the message this sends is that we have ample liquidity and we have been able to increase it further. Actually most of that and the increased 300 million increase comes from undrawn committed lines. The example is the EIB loan, the European investment bank loan and we are very proud of that one. it is committed, but it's undrawn today so that goes into the availability in terms of liquidity, but not in terms of the net debt and so will update you on the net financial debt end of July. So there's two different concepts.

So it's a 300 million increase, of which 125 is the new EIB loan as you describe it, and the balance is made of new lines, committed lines with core relationship banks, which are also undrawn at this point.

And do you expect to receive more battery loans in the future? And what is the rate of your loan?

You probably know that this process with the European investment bank is a very, very thorough process and we have been working diligently with the teams in the last few months. And again, we're proud of that because it's not just about the money, it's about of the fact that I think it enters perfectly in the ambition of the European Union. So could we have future loans? I mean that is a possibility, but obviously that is not on the table today, but we have gone through that process. I think we've built that partnership, which again we're very proud of the term.

The interest rate is very attractive. Unfortunately we cannot provide the details because it's not public, and you know what is the principle also of the European investment bank, is that this funding is very attractive funding in terms of interest rates.

Back to RBM. Can you describe the competitive landscape in Europe for cathodes and are you still protected thanks to import tariffs from China? We hear that CATL is able to source cathodes from China. If confirmed, would that be a threat to you?

I would not talk about protection. The reality is that if you import products from China into Europe there are import tariffs, so it's not forbidden to import. So everybody is able to import products or materials from China, as long as you pay the import duties. So the point is not there. Our strategic positioning is such that we are the only player or will be the first player to have similar production capabilities in three regions, being Korea, China and Europe and a unique ability to serve global platforms in that respect. As you will also have heard from the European plans, the European Union has plans to build a regional value chain, innovative battery value chain. Clearly there will be quite some demand for local production, local sourcing in Europe, every region, every country also has some local sourcing conditions for certain industries and the automotive industry is no exception. So you should not only look at the import duties. You need tolook at a combination of factors which justify our presence in Europe.

Question on battery recycling : are you still considering a new plan for recycling of battery materials? Do you have an update on when there will be a decision on that matter?

That is still work in progress and the indications that we have today is that we will not need to make an imminent decision in that respect because the availability of end of life batteries is still quite a while away so we continue to fine tune our process an engineering studies to be ready to push the button at a certain point in time, but it's not likely to be this or next year.

The shift to EVs is clearly supported by the European Union. Does this put long-term pressure on catalysis?

Well, I think you will have to make your own assumptions about the pace at which EVs will penetrate the market and take over from combustion engines. Please bear in mind that the plug-in hybrids are also quite popular in certain regions and still need a combustion engine. Now, where I see pressure is clearly on diesel technologies because diesel has fallen out of grace, for a number of reasons that you know as well as I do, and you have seen quite a number of Automotive OEMs give up on diesel engine technology developments, so I see pressure there more than anything else in the mid-term; the short, mid and long-term.
Now when it comes to gasoline engines, the world will continue to need those for quite a while, and the good news, as we mentioned already back in our a capital markets day in 2018, is that the more stringent emission norms that are coming into force require or actually command higher catalyst value per vehicle. So you will continue to see, I would say a trend of value increase, catalyst value increase per vehicle, which will be at a certain point in time, partly offset by lower volumes, at another point in time in the longer term more than offset by volume decreases.

I'm not so concerned about it because this is exactly the reason for the strategic choices that Umicore made many years ago to be present across drivetrain with materials in solutions, across drivetrain technologies, and to continuously increase the value of our solutions per vehicle, which we do.

And the shift towards electrified mobility, or to clean mobility, whether it's going electric, fuel cells, whatever, is actually a positive for us as it's driving up the value of our materials per vehicle.

Thank you, there are a few questions still in the chat box, but I believe most of these questions have been answered. It's iterations of certain questions, if that would not be the case, at least you can contact the IR team afterwards, but I think Marc and Filip that we have covered the questions.

So thank you for moderating the Q&A session and thank you to all participants for joining the call this morning, and indeed, as Evelien offered, if you have a follow-up questions, please do not hesitate to reach out to our investor relations team.

So thank you for now and wish you a pleasant day and bye bye, talk to you soon.