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## PRESENTATION

**Operator**

Good day, and welcome to the Umicore Q1 2017 Conference Call. Today's conference is being recorded.

At this time, I'd like to turn the conference over to Mr. Grynberg. Please go ahead, sir.

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**Marc Grynberg** - *Umicore S.A. - CEO and Executive Director*

Thank you, and good morning, everyone. Welcome to the call. I will run you through the highlights of Umicore's strong first quarter performance. I will elaborate on the earnings guidance for the full year. And then I will hand it over to Filip, who will go into more detail about the business development in each segment. I will then wrap up and hand the call over to you for questions.

As you will have seen from the publication early this morning, business has been very strong for Umicore in the first quarter of this year, and revenues were up by 13% compared to the first quarter of last year. All business groups have contributed to the growth with the most pronounced uplift coming in Energy & Surface Technologies. There, the revenues increase of 29% reflected a significant increase in sales of NMC cathode materials and also a good demand level in the cobalt- and nickel-related activities where we also benefited from positive pricing development.

In Catalysis, revenues were up by 9%, with good growth in both the light- and heavy-duty segments, and Umicore's revenue growth once again outperformed that of global vehicle production.

In Recycling, revenues were up by 4%, with growth in all activities. Production in Hoboken ramped up gradually in the first quarter, following the maintenance shutdown at the end of last year.

As far as investments are concerned, all of our growth investment programs are on track, and as part of the expansion program in Korea and China for cathode material production, a certain number of new production lines are scheduled to come on stream in the second half of this year while a major part of the new capacity will be commissioned next year.

In terms of other highlights, I'm pleased to say that a resolution has been reached in the cathode materials patent dispute with BASF and ANL in the U.S. This resolution is in the best interest of the customers. And while I cannot comment on the details of the resolution, suffice to say that the full year earnings guidance that I will discuss in a moment includes the financial aspects of the agreement.

We were also pleased to secure in the past few days additional debt funding to the tune of EUR 330 million via a European private placement. This enables us to optimize our debt structure at fixed rates and with extended maturities, and the proceeds will help support our growth initiatives going forward.

Looking forward to the full year 2017, I expect Umicore's full year recurring EBIT to be in a range between EUR 370 million and EUR 400 million assuming current market conditions continue to prevail. If we exclude the discontinued operations, which allows us to provide the most meaningful year-on-year comparison, this would represent a range of EUR 355 million to EUR 385 million or an increase of 11% to 20% compare to 2016.

With this, I would like to hand over to Filip, who will cover the main business development.

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**Filip Platteeuw** - *Umicore S.A. - CFO*

Thank you, Marc, and good morning, everyone. Starting with Catalysis, this segment continued to perform very well, especially compared to a very strong first quarter of last year, generating 9% more revenues year-on-year, primarily driven by Automotive Catalysts. Revenues for Automotive Catalysts were higher year-on-year both for light-duty vehicles and for heavy-duty diesel applications.

In the light-duty segment, Umicore's revenues again grew faster than global car production, which increased by slightly more than 4%. Overall, the mix was somewhat less supportive with production of gasoline cars outgrowing diesel vehicles in the European market.

The substitution of diesel is mainly a factor in cars with smaller engines where stricter emission norms make the aftertreatment system disproportionately expensive. If car manufacturers are to meet the EU's challenging fleet CO2 emission targets though, there is little scope for gasoline to substitute diesel in the larger-engined vehicle categories. Electrification will increasingly become part of this new equation and is a trend from which Umicore stands to benefit.

In terms of regional mix, our strongest performance once again came in China where Umicore outperformed the markets both in terms of volumes and revenues.

We are ramping up the production at the newly-commissioned plant in Thailand, and you'll also recall that we recently completed the acquisition of the remaining 50% in our South Korean joint venture, Ordeg, and the benefits of this will accrue from the beginning of the second quarter with the positive impact on earnings already factored in to our full year guidance. For the other business unit in the segment, Precious Metals Chemistry, revenues were also well up, reflecting higher volumes across product groups.

Switching now to Energy & Surface Technologies where, as Marc already mentioned, we recorded very strong revenue growth of 29%. This was mainly due to the spectacular uplift in demand for NMC cathode materials for transportation applications. It is also worth noting that our high-energy LCO cathode materials for batteries used in high-end portable electronics are also selling very well.

In terms of the investment program in Rechargeable Battery Materials, the expansion plan to triple capacity in China and Korea is on track. New capacity will gradually come on stream starting in the second half of this year, with the bulk coming online in the course of 2018.

Looking at the other business units. There was a strong uplift in revenues for Cobalt & Specialty Materials. This was due to a combination of strong product demand for cobalt and nickel chemicals and also a positive pricing environment.

Revenues in Electroplating and Thin Film Products were higher, while in Electro-Optic Materials, revenues were somewhat lower due to the lower germanium price.

In Recycling, revenues were 4% higher.

In Precious Metals Refining, revenues were slightly higher. Processed volumes were comparable with the first quarter of 2016. As you recall, we completed a significant maintenance shutdown at the Hoboken smelter in December of last year, and operations started up gradually at the beginning of this year. The ramp-up of the additional capacity is gathering pace and will lead to higher processed volumes in 2017 compared to last year.

The metal price environment was somewhat more supportive for precious and specialty metals. It's worth noting, however, that while prices for several specialty metals have improved somewhat, overall demand for these metals remains subdued.

There were no significant changes to the supply mix. Availability of the more complex residues from the nonferrous refining and mining industries was stable, while the market for end-of-life materials continues to be highly competitive. It is worth pointing out that the impact of the recent floods in Peru on the South American nonferrous metals industry is still difficult to gauge, possibly resulting in some temporary disruptions to supplies out of the region.

Given the uplift in some precious and base metals prices in the first quarter, we have taken the opportunity to lock in prices for some additional portion of our future price exposure, increasing our cash flow visibility. This hedging covers certain precious metals as well as certain base metals and relates mainly to 2018 and some initial coverage for the 2019 exposure. Revenues for the other business units in the segment were higher with market conditions improving across the board.

In the discontinued activities, Building Products recorded stable revenues in the quarter, and sales volumes increased somewhat with the French construction market showing some signs of recovery.

And before I hand over to Marc for the wrap-up, perhaps a quick word on our recent debt offering. So we successfully completed a private debt placement in the form of a Schuldschein loan. The offering was significantly oversubscribed and enabled us to raise EUR 330 million from a broad European investor base. It comprises a mix of 6, 7 and 10-year maturities and extends our group debt maturity profile at very attractive fixed rate conditions.

And with that, I will now hand it over back to Marc for the wrap-up.

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**Marc Grynberg** - *Umicore S.A. - CEO and Executive Director*

Thank you, Filip. Let me briefly recap the key messages of today before we open the floor to your questions.

Umicore has recorded a strong start to the year, with the revenues in the first quarter up by 13% year-on-year. The most significant uplift has come from those activities linked to clean mobility and, particularly, Rechargeable Battery Materials. Our strategic growth initiatives are all on track with the expansion in Rechargeable Battery Materials scheduled to come on stream as from the second half of this year and production throughput in Hoboken set to increase through the year.

In terms of outlook for the full year and, of course, assuming that current conditions continue to prevail, we anticipate that Umicore's full year recurring EBIT will be in the range of EUR 370 million to EUR 400 million, including discontinued operations. For the continued operations alone, this would represent a range going from EUR 355 million to EUR 385 million or an increase of 11% to 20% compare to 2016.

And with this, I would now like to hand over the call to your questions.

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## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions) And we'll take our first question from Tony Jones in Redburn.

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**Tony Jones** - *Redburn (Europe) Limited, Research Division - Partner of Chemicals Research*

I've got 3 questions. The first one is on metal price hedging. You made reference to it in the presentation, but could you give us any details on which metals the timing and maybe the proportion of your flow sheet that's now hedged. Then I had a question on the recent acquisition, of your JV in Korea in Catalysis. I think the release you published was in March, and you said it immediately takes effect at that point. But I thought the EBIT contribution for the year would be about EUR 5 million. Could you just let me know whether that's in the right range and whether that's also reflected in your new guidance? And then finally, on Battery Materials, could you just maybe talk about whether you think you're the only premium company with spare capacity to supply when you start up your new assets in the second half of the year?

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**Marc Grynberg** - *Umicore S.A. - CEO and Executive Director*

Okay, so Tony, good morning. So on metal prices and the hedging, as mentioned, it's precious metals and it's some base metals. Precious metals, like we said last time, includes some PGM metals. The base metals are mainly related to the base metals we find in the Recycling operations. In terms of the timing, as we mentioned, it's really the first portion of 2019. So that's a relatively small portion of our exposure. And we added for 2018, and as you know, we already had some hedging in place for 2017. We don't specify or quantify the hedging proportion, but I would say we have a significant portion for 2017, a bit less for '18, and for '19 a first layer hedged today, which means that for this year and for the next years we still have, obviously, also a significant proportion still open in terms of price exposure. Ordeg, what it means in terms of contribution, without quantifying, is that for the first quarter, we will still have Ordeg in the books as an equity accounted associate, and you will find that back, if you look at the Catalysis disclosure numbers in the segment in the previous years. While for the remaining 9 months or as of the second quarter, the Ordeg participation will be fully consolidated.

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**Filip Platteeuw** - *Umicore S.A. - CFO*

Tony, good morning. I will take the third question regarding the capacity in Rechargeable Battery Materials, and I would like to clarify first that we're not going to have any spare capacity at any point in time soon. Because all the additional capacity that we will start up in the coming months and in the coming years will be necessary to cater for existing orders. And so there will not be a spare capacity. This being said, we're not the only company adding capacity to serve this growing market. Based on what we can observe, because not all information is, of course, public, we believe that we are adding more capacity than other players in that industry, and we're adding it somewhat faster, which indeed, equates to the fact that we're growing faster than the market.

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**Operator**

Our next question is from Alex Stewart from Barclays.

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**Alex J. Stewart** - *Barclays PLC, Research Division - Chemicals Analyst*

The revenue growth in Energy & Surface Technologies has been very impressive. You talked towards the end of last year about being pretty much sold out of your existing capacity. I know there was some debottlenecking in China. Could you explain how you managed to deliver that revenue growth given the tightness in your current asset base? That would be great.

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**Filip Platteeuw** - *Umicore S.A. - CFO*

Well, it's a revenue growth that is partly linked to Rechargeable Battery Materials and partly to the other activities that we have in the Energy & Surface Technologies segment. In Rechargeable Battery Materials, it is clearly the gradual addition of capacity which is playing out today. And actually, if you compare to the first quarter of last year, it is, of course, more spectacular than if you compare on a sequential basis to the last quarter of 2016. So that's something that you have to bear in mind in your models. So it is relatively substantial compared to the first quarter of last year. But, of course, it is only gradual and incremental compared to the more recent months, indeed. And this being said, there is also significant growth in the other activities of the segment, in the electroplating activity in Cobalt & Specialty Materials, where we have seen very high levels of demand in practically all applications for cobalt-based and nickel-based chemicals and for compounds, including in the distribution segment. And because of the high-demand levels, we're also benefiting there from very favorable price evolutions.

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**Alex J. Stewart** - *Barclays PLC, Research Division - Chemicals Analyst*

That's great. So could you give us some indication maybe just the percentage split how much is the 29% growth in the first quarter with volumes compared to prices for the division? I don't expect you to give me an exact number, of course, but was that primarily volume, was it primarily pricing or a combination of the 2?

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**Marc Grynberg** - *Umicore S.A. - CEO and Executive Director*

I can say that the vast majority is a volume uplift. As we indicated also in the press release, this is the major driver in the growth of the segment. I'm not saying that the price developments are negligible, but by far, the major driver is volume.

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**Operator**

Next question is from Jeremy Redenius in Bernstein.

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**Jeremy Redenius** - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst*

It's Jeremy Redenius from Bernstein. Thanks for taking the questions; I've got 3. First of all, on the agreement you reached with BASF and Argonne, can you talk about how the agreement was structured? You mentioned it's been effectively included in your guidance, but was there some type of one-off payment upfront followed by volume-based payments in that licensing agreement or structured in some other way? And second, could you talk about how you manage cobalt pricing in your cathode material business? I understand that there's been a big spike lately, and I want to understand your exposure to that and how that ripples through. And then thirdly, we all hear a lot of concern about the shift away from diesel in Europe, and it sounds like you addressed that to a degree in your opening remarks. I understand there's a lot of technological solutions to that, but I'm curious to hear if you're involved in any way in engaging with cities and countries on kind of political or regulatory solutions to that as well? Are you leaving that to the automakers?

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**Marc Grynberg** - *Umicore S.A. - CEO and Executive Director*

Jeremy, good morning. So let me start with your questions in the reverse order. We're not involved in political discussions with municipalities or authorities as a company. We are as an industry. So there are discussions between the industry association in which we are represented and authorities at different levels, whether it's municipal, regional, national, European, in order to figure out how technology can best help reduce the emission levels and as fast as possible. So this type of discussion is indeed taking place at different levels, although I have to specify, it goes exclusively through the industry association. And this being said, I would like to clarify because I think that it is important what we mean exactly with the evolution in diesel. In order to bring some clarity in the message, I would like to specify that, actually, the production of diesel cars has increased year-on-year in the world and in Europe alike. It is the market share that has reduced somewhat because the diesel growth has been somewhat less than the growth of the gasoline car production. I read too often reports or articles in the press giving the impression that the decline is a decline not only in market share of diesel car production but also in absolute production numbers, and this is not the case. So diesel car production continues to grow slightly, but it continues to grow. And I've mentioned a few times in the past that I do not expect a brutal change in that evolution because it is difficult to substitute diesel technologies by gasoline, because if you do that, it becomes very difficult, if not impossible, to meet the upcoming CO2 regulations in a number of regions, including Europe. So you need a more sophisticated engine lineup and engine mix in order to meet the upcoming CO2 regulations, and it will take time for diesel to be substituted away. And we see that happening, in the first instance, in the medium term for the very small engines where the future real driving emission requirements will make it rather unaffordable for small diesel engines to be properly treated. But we don't see a massive move away from diesel. So to be clear, diesel production continues to increase, and the mix is somewhat less favorable because gasoline grows faster, but it's still a positive evolution. Then let me move to your second question about cobalt price in cathode materials. It is a pass-through, and like for other metals that are contained in that type of products or in other Umicore products, the end customer is actually assuming the metal price fluctuation risk, and so this is the case also in battery material. And the first question about the agreement with the BASF and ANL, I cannot disclose more details then were disclosed in the press release this morning. And so accept that I'm happy that this is resolved now that we have the license to operate in the U.S. and that the financial impact of that resolution is reflected in our earnings guidance for this year.

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**Jeremy Redenius** - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst*

And can I just follow up on the point you made about diesel? I take your points about it's a smaller engine issue, and I take your points about the technology solutions as well and the CO2 constraints. However, how do you respond to the issue that, ultimately, it's a choice that consumers can make whether or not to buy a diesel-powered vehicle? Because, ultimately, if they're facing regulatory uncertainty in their purchase of that vehicle, how do you basically manage that risk?

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**Marc Grynberg** - *Umicore S.A. - CEO and Executive Director*

Jeremy, I'm looking at the facts, and the facts are today that consumers continue to buy diesel vehicles regardless of the uncertainty that you refer to. And because, from a total cost of ownership, it is an excellent equation still, especially for the larger engine sizes and actually, from a CO2 point of view, it remains the best offering especially for highway driving. So I'm just looking at the facts, and the facts are contradicting a lot of what is being written or perceived about diesel decline or the fact that consumers are actually moving away from diesel engines. This is not the reality. I'm not saying that diesel is going to be there for the next 100 years. I'm just saying that if there is a move, it's going to be very gradual and will likely start with the other small engines.

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**Operator**

The next question comes from Mutlu Gundogan in ABN AMRO.

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**Mutlu Gundogan** - *ABN AMRO Bank N.V., Research Division - Analyst*

Also, 3 questions. The first is on the energy segment. You mentioned you have no spare capacity, and also, we're seeing these high levels of volume growth. So my question is do you think that the tripling of capacity is enough? Or are you already contemplating a further expansion? The second question is on -- also on the energy segment. Can you tell us what the increase in capacity will be once you have upgraded the cobalt refining and recycling plant? And then thirdly, on Recycling, yes, I found volume growth, obviously, disappointing at 0%. Can you tell us why that was and whether you still believe you can get to double-digit volume growth this year?

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**Marc Grynberg** - *Umicore S.A. - CEO and Executive Director*

Good morning, Mutlu, and let me start with the last question. Actually, when we started the plant after a maintenance shutdown, it's not binary. It's not that you switch the plant on and off and when you switch it on, it's not starting from the first second at full production capacity. So there is a ramp-up schedule. It's a gradual process. This ramp-up curve means that it's normal that if you look at the quarter-on-quarter comparison, that you have stable volume. And at this stage, I can repeat and confirm that the processed volumes for the full year will definitely exceed those of last year. So I'm confident that the messages we have previously given are confirmed. And coming to the questions about E&ST, is tripling the capacity enough; in the medium to long term, no, it's not enough. As you will recall from previous discussions, this is a short-term program to add capacity, as much capacity as fast as we can between now and 2018. So this is fairly short term with some of the lines coming on stream the second part of the year and others in the course of next year. Is that enough for the medium and long term? No. And we are constantly working on projects and preparing for following phases of expansion because, with our positioning in the sector, the awards we have, the orders we have and the way the market is developing, there is further growth ahead of us. And then you had a question about the increased cobalt recycling capacity. I'm not sure whether you want to establish a link with the cathode materials business or not. There isn't so much of a link because the increase in cobalt refining and recycling capacity is going to be relatively moderate compared to anything we do in cathode materials.

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**Mutlu Gundogan** - *ABN AMRO Bank N.V., Research Division - Analyst*

Yes, yes. No, just wondering how much the capacity increase will be if you compare to the base here?

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**Marc Grynberg** - *Umicore S.A. - CEO and Executive Director*

We're not going into that level of detail, and I can say today that it's not huge. It's not negligible, but it's not huge. And the cobalt recycling market is not very big yet anyways.

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**Operator**

The next question is from Nathalie Debruyne in Petercam.

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**Nathalie Debruyne**

Actually, the largest part of my questions have already been answered, but maybe an additional one. I'm trying to find out a little bit the financial impact of the resolution that you found on the infringement patent in the U.S. I guess it's material enough for you to mention it. But can we have some more indication on the impact? Will it be positive, negative? Rather direction in H1, H2? So that will be very helpful.

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**Marc Grynberg** - *Umicore S.A. - CEO and Executive Director*

Yes, good morning, Nathalie. Well, the financial impact is not positive, and I'm not going to quantify it, but let's face it, it's a cost. And what is positive, though, is that we have brought this to a resolution, and that's what the market needs. I mean, the industry, in order to grow, needs a better degree of visibility and certainty about these subjects. So it's to the benefit of our customers that this has been brought to a resolution. So I think it's good for the market, so that's a positive development, and the financial impact is a cost, obviously, for us. And I'm not going to quantify that.

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**Nathalie Debruyne**

All right. But is it expected to result in future revenue for you or not?

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**Marc Grynberg** - *Umicore S.A. - CEO and Executive Director*

By definition, it cannot.

**Operator**

Next question is from Geoff Haire in UBS.

**Geoffrey Robert Haire** - *UBS Investment Bank, Research Division - MD and Equity Research Analyst*

Just wanted to ask a couple of questions on the Recycling business. First of all, you've got 4% growth in the first quarter. Could you talk a little bit about how big the impact of metal pricing declines were and also, how much of the new capacity do you expect to bring on this year? That would be helpful if we could just get some sort of sense of how much of that capacity in your schedule you have being brought on. And also, the comment Filip made about low demand for specialty metals. Are you currently still having to stockpile specialty metals, which may increase working capital as we go through this year if demand doesn't pick up?

**Marc Grynberg** - *Umicore S.A. - CEO and Executive Director*

Good morning, Geoff. So the answer to the second question is no, not in a material way. It's not impacting working capital in any material manner, whether at times though we have to increase the stock of these secondary metals, yes that can happen indeed. It's not like you can sell these metals every day in regular and in equal quantities. So you don't have a lot of outlets for these metals, and the sales are not distributed evenly across the years or across the months during the year. But this being said, again, the impact on working capital is very limited. If we move to the first part of your question regarding the revenue growth in the first quarter of 4%, that's partly aided by better metal prices, precious metals prices compared to the first quarter of 2016. And I can only repeat that for the full year, we will process more volumes than in 2016. But I'm not going to quantify that. I've not quantified it in the past and will not depart from that position.

**Geoffrey Robert Haire** - *UBS Investment Bank, Research Division - MD and Equity Research Analyst*

Can I ask why you can't quantify it in terms of giving us some sense of understanding of how big the volume increase could be?

**Marc Grynberg** - *Umicore S.A. - CEO and Executive Director*

Because we're not going into that level of details for any of our activities.

**Operator**

Take your next question from Martin Evans in JP Morgan.

**Chetan Udeshi** - *JP Morgan Chase & Co, Research Division - Research Analyst*

Chetan Udeshi on behalf of Martin Evans. So I had a couple of questions. Firstly, around your expectations for full year. You mentioned assuming current market conditions, but can you give us more sense on what you assumed in terms of the overall car volume growth for full year? Do you expect the same level of growth in Q1? Or have you assumed some moderation into next 3 quarters? And second question was I think you made your position very clear on the impact of diesel. You see a more gradual decline. But just to add more perspective on that question, can you give us a sense of what is the relative earnings difference between, say, a diesel catalyst versus a gasoline for you guys and in general, if you don't necessarily want to mention for Umicore specifically, but just in general for the industry.

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**Marc Grynberg** - *Umicore S.A. - CEO and Executive Director*

Good morning. So let me start with the diesel question. We are not disclosing the difference in value, revenue or margin or profitability between the different types of catalysts. And it is a fact that a diesel car generates more revenue potential and earnings potential than a gasoline car. And it is also expected that the gap between the 2 will narrow down somewhat as fuel-efficient gasoline cars in the future will also have to be equipped with a particular filter which will add revenue and margin potential for a gasoline cars. So if the mix includes less diesel cars, yes, it is somewhat less favorable. Again, I would like to repeat that for Umicore, in the medium and long term, the evolution is extremely beneficial because, to a large extent, you will see an increase of electrified vehicles in the model lineups in order to meet the tightening CO2 regulations. And that is very beneficial in terms of revenue and potential and bottom line. So I'm not at all concerned, as I've explained in the past, by the evolution. We have prepared for this type of evolution for a while by investing significantly in electrified drivetrain-related technologies. So we're not concerned about the evolution.

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**Filip Platteeuw** - *Umicore S.A. - CFO*

Good conditions.

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**Marc Grynberg** - *Umicore S.A. - CEO and Executive Director*

Yes, and let me then comment on the outlook and what we mean by a current market condition is relatively clear when it comes to external factors like metal prices, exchange rates, et cetera. There, we are talking about the current conditions basically, give or take a few percentage points. And while for some of the macro factors, we are not extrapolating the very strong car production levels of the first quarter for the full year. If you look at industry projections and industry experts, they expect that the car production will grow for the full year but not at the same pace as was the case in the first quarter, which was extremely strong. There is already some degree of stabilization or slowdown in the U.S. where inventory levels have risen. So you should not extrapolate the Q1 figures.

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**Chetan Udeshi** - *JP Morgan Chase & Co, Research Division - Research Analyst*

Those are very helpful comments. Can I add one question around Recycling business? It's always very difficult to understand the impact of metal pricing movements on Recycling revenue growth. So can you add any more color which will help us sort of model that impact from metal price variability, both upside and downside, on how we should think about the impact of metal price variability, not necessarily the volume growth coming from your expansion?

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**Marc Grynberg** - *Umicore S.A. - CEO and Executive Director*

No, I'm afraid I'm not going to be extremely helpful there because this is something we're not disclosing, and the reason for that is that it's commercially sensitive information because the sensitivity is a direct result of our pricing structure, which is a factor of the metal yield and so, unfortunately, we cannot disclose that.

**Operator**

Next question comes from Sebastian Bray in Berenberg.

**Sebastian Christian August Bray** - *Berenberg, Research Division - Analyst*

I would have 3, please, each on your different segments. So the first one would be on the volume growth to be expected in Recycling. I appreciate you won't guide to potential volume growth in 2017, but could you perhaps guide on the extent of a ramp-up? As in if it's linear through the coming quarters? Or is it H2-weighted? Secondly, on the settlement that you have reached with BASF, just to clarify, what exactly do you mean when you said this cannot be positive by definition in revenue terms? Are you now allowed to export NMC to the U.S. market under the terms of this definition? And finally, on your Auto Catalysts division, the spread between the underlying auto production and your revenue growth of 9% was, I think, about 5%. Could we expect this to remain roughly similar over the course of the year, as in even if auto production comes off, you continue to outperform the underlying market by about 5%? Or would you expect that to contract? So these are sort of a question about what is driving this. Is it mainly China growth for front-running of emissions regulations in Europe?

**Marc Grynberg** - *Umicore S.A. - CEO and Executive Director*

Good morning, Sebastian. So let me start with the ramp-up curve in Hoboken. It is not going to be linear. And actually, what I mentioned previously that it would be back-end loaded with way more volume increases coming in 2018. It's going to be somewhat back-end loaded this year if you look at it from a half year-to-half year perspective. However, please bear in mind that we will have a maintenance shutdown in the second part of this year. We will have none in the first part of this year. So we have a gradual startup in the first quarter, and we'll have a more stable performance and growth occur in the second quarter, then we'll have maintenance shutdown in the second part of the year. So it's somewhat difficult to give you a good picture of what the curve will look like. And I can only say that volumes will be higher for the full year and will continue to increase as we go into 2018. Then talking about the agreement with BASF and ANL, yes, I should explain what I meant by it cannot be positive, sorry. It's a cost by definition. We now have a license to export to the U.S. This comes at a cost, so the agreement implies a cost of Umicore, and that's what I meant by a cost cannot be a positive. There is nothing else to be read between the lines there. And your last question about the market outperformance in catalyst, I would not extrapolate from quarterly figures. I never do that. Quarterly performance is not always a sound basis for extrapolation because you have model shifts, you have platform shifts, and you have some that are selling better than others, et cetera. Overall, I would say that market positions tend to be relatively stable in that industry and that the industry is growing relatively faster than the market given the evolution in emission norms. However, we expect that this year, the growth will be somewhat less pronounced than in 2016 and '15 because of the absence of a major legislative steps in the major regions taking place this year. And as I mentioned earlier, the other reason why we don't extrapolate from the first quarter is because the market is off to a very strong start. And market analysts and observers do not expect the full year to be of the same magnitude.

**Operator**

Next question from Georgina Iwamoto in Bank of America.

**Stephanie Bothwell** - *BofA Merrill Lynch, Research Division - VP*

It's actually Steph Bothwell calling in from Bank of America. I just had a couple of follow-up questions. Firstly, on the guidance. So you said that your guidance assumes prevailing market conditions. I just wanted to check on the metal pricing side. Does that assume that current spot cobalt prices hold for the rest of the year? And the second question on the guidance is regards to vehicle production. So you said that you assume a sequential decline in global vehicle production into H2. What do you assume in terms of your assumption for diesel market share for Europe going into the second half? Does that also assume that it gradually declines? Does it go through the remainder of the year? The second question was on Catalysis following on from the earlier question. The plus 9% revenue growth that you had in the first quarter, it seems as though some of that may well be attributed to the Precious Metals Chemistry business. You flag in the release higher volumes. I wonder if perhaps you'd give us a little bit more color in terms of the volume trends in that business. And the final question, again, on Catalysis in regards to the European heavy-duty markets. I was hoping you could perhaps provide us with some color in terms of the current trends developments that you're seeing on the European truck size. Looks like Volvo had some pretty solid results this morning out of Europe. So I just wanted to get your take in terms of where you see the market progressing for the rest of the year.

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**Marc Grynberg** - *Umicore S.A. - CEO and Executive Director*

Good morning. Let me start with the question on heavy duty, and it is, indeed, fair to say that the level of demand for heavy duty in Europe has been very, very solid in the first part of the year. So what you have read about some of the truck or engine manufacturers is something that is also visible in our sales to the sector. Yes, it's been very, very solid demand, and it's difficult to say what it will be exactly for the full year. But for the time being, the signs are rather positive. In Catalysis, the contribution of Precious Metals Chemistry to the growth is not negligible. But given the relative sizes of the 2 businesses, it is Automotive Catalysts that has driven the growth of the segment; it's not PMC. With all due respect for the new projects that are being successfully launched by that unit, it remains relatively small in the overall scheme of things. And then talking about market conditions. Yes, I can only confirm that our guidance assumes stable metal prices compared to what we see today, give or take a few percentage points.

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**Stephanie Bothwell** - *BofA Merrill Lynch, Research Division - VP*

And just in terms of the guidance on the diesel market share. Do you assume a gradual decline into the second half of the year as well? Or is that broadly flat versus what you saw in the first quarter?

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**Marc Grynberg** - *Umicore S.A. - CEO and Executive Director*

I'm not making projections for Umicore based on market shares because actually, what matters to us are absolute volumes. And again, as I mentioned earlier, the volumes are not declining.

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**Stephanie Bothwell** - *BofA Merrill Lynch, Research Division - VP*

Sure, but from a mix perspective, obviously, you flag in the release that the mix has shifted more towards gasoline, which from a value contribution would be less favorable, I suppose, for Umicore even if volumes were going up. So...

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**Marc Grynberg** - *Umicore S.A. - CEO and Executive Director*

The mix is fully reflected in the earnings guidance, of course.

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**Operator**

Next question from Nathalie Debruyne in Petercam.

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**Nathalie Debruyne**

Just a follow-up question actually on Energy & Surface Technologies. You used to guide for margin expansion in battery materials driven by the scale effect primarily. But I was also wondering this year what would be the effect of Cobalt & Specialty Materials in terms of margin because I remember that last year, there was the cost of the negative market conditions in cobalt primarily. But what kind of margin expansion can we expect that would be driven by that business? And what is the parts that we could already expect to see this year coming from the scale expansion?

**Marc Grynberg** - *Umicore S.A. - CEO and Executive Director*

Yes, Nathalie, both effects are going to be visible this year. The margin uplift coming from the additional scale effects, although not to the full extent because, as I mentioned earlier, the bulk of the additional capacity will come on stream towards 2018. So this is one element. And secondly, yes, we are benefiting from cobalt refining and recycling activities from higher cobalt prices. Last year, we indicated that the depressed cobalt and nickel prices had a negative impact on the margins. And this is somewhat reversed, at least, for the cobalt price, which is a positive development year-on-year, while nickel remains at the low levels that we have seen for the past couple of years.

**Nathalie Debruyne**

Okay, so that means that all in all, we can expect at least margin expansion this year. But just another question that I had because we read more and more that EV producers and battery producers are looking for higher nickel content in the cathode material. Do you already see that effect coming on stream or not? And what would be the impact for you on the margin level? Does that make a difference, actually?

**Marc Grynberg** - *Umicore S.A. - CEO and Executive Director*

No, actually, as I mentioned earlier, the metal content is a pass-through. We're selling technologies and functionalities, and actually, the metal content is not a factor to our margins in Rechargeable Battery Materials. That is not the case. In the long run, there will be a trend to higher nickel compositions. But it takes time because as I mentioned on previous occasions, the lifetime of the qualified technologies on existing platforms and future platforms is very long. So it takes time for these developments to filter through. And there will be a trend over the long run to move to a higher nickel composition. This being said, even if you move to a higher nickel, the volumes of batteries that could be produced and the volumes of materials that will be required even with the higher nickel compositions will mean certain growth in cobalt demand.

**Operator**

I would now like to hand the call back to the speakers today for any additional or closing remarks.

**Marc Grynberg** - *Umicore S.A. - CEO and Executive Director*

Okay, so thank you, and I would like again to repeat maybe the key messages of today. Umicore is off to a very strong fast start in the first quarter with significant revenue growth of 13% year-on-year, revenue growth in all segments: Recycling, Catalysis and Energy & Surface Technologies. The most pronounced uplift is in Energy & Surface Technologies with outstanding performance in Rechargeable Battery Materials and in Cobalt & Specialty Materials and a very strong performance in Catalysis where Umicore, once again, outperformed the market.

The other key message of today relating to Energy & Surface Technologies is that we reached the resolution with BASF and ANL of the patent dispute in the U.S. and are now licensed to export materials into that country.

And finally, I would like to repeat that our earnings guidance for the full year implies a recurring EBIT uplift of somewhere between 11% and 20% compared to 2016, which, once again, confirms that we are well on our way to achieve our longer-term Horizon 2020 growth ambition.

And with that, I would like to close the call today, and, of course, invite you to address your follow-on questions, and I'm sure you will have some, to our Investor Relations team who will be more than happy to follow up with you on these exciting subjects. So thank you, and have a good day.

**Operator**

This will conclude today's conference call. Thank you for your participation, ladies and gentlemen. You may now disconnect.