Press release
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HALF YEAR RESULTS 2019

Robust performance in challenging market conditions and compared to record levels in 2018

Umicore delivered a robust performance in the first half of 2019 with revenues amounting to € 1.6 billion and a recurring EBIT of € 240 million against a backdrop of challenging conditions in key industries and reduced consumer confidence, especially impacting the automotive sector. Free cash flows improved substantially year on year.

Umicore recorded higher revenues in Catalysis, substantially outperforming the declining automotive market and benefiting from market share gains in light-duty gasoline and an increasing penetration of gasoline particulate filters in Europe and China.

In Energy & Surface Technologies, as announced in April, Umicore is facing a temporary slowdown in demand for its cathode materials and has adjusted its capital spending to the current slower pace of growth. The mid- and long-term fundamentals behind Umicore's rechargeable battery materials activity are intact, with electrification strongly supported by legislation in key regions and a technology roadmap that offers ample room for innovation and differentiation.

In Recycling, the throughput rates of the Hoboken plant improved significantly after the investments carried out during the scheduled extended maintenance shutdown in the beginning of the year. In the first half, however, volumes were lower due to the impact of the shutdown on the availability of the smelter. The metal price and supply environments were supportive over the period.

- Revenues of € 1.6 billion (-3% year on year)
- Recurring EBITDA of € 357 million (-2% year on year)
- Recurring EBIT of € 240 million (-8% year on year)
- ROCE of 12.3% (16.6% in the first half of 2018)
- Recurring net profit (Group share) of € 151 million (-8% year on year)
- Recurring EPS of € 0.63 (-9% year on year)
- Cashflow generated from operations of € 308 million (€ 102 million in the first half of 2018) and free cashflow from operations[1] of € 50 million (- € 104 million in the first half of 2018) including stable working capital versus end of 2018.
- Net debt at € 1,059 million corresponding to an average net debt / recurring EBITDA ratio of 1.34

Umicore extended the maturity of its debt at historically low fixed terms through the successful completion of a € 390 million US Private Placement notes issue with maturities of 7 to 12 years.

[1] Free cashflow from operations = Cashflow generated from operations – capex – capitalized development expenses.
Note: All comparisons are made with the first half of 2018, unless mentioned otherwise.

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An interim dividend of € 0.375 per share will be paid out on 27 August. In line with the dividend policy, the amount corresponds to half the annual dividend declared for the financial year 2018.

Committed to its long-term strategy in clean mobility materials and recycling

Umicore is committed to its long-term strategy in clean mobility materials and recycling and continues to invest in R&D and expand capacity to support the growth of its businesses. In Catalysis, the new production lines in Poland came online in the second quarter, while the new capacity in China is due to be commissioned by the end of 2019. In Rechargeable Battery Materials, construction of the new plant in Poland has started. The greenfield plant in China will start to come online after the summer with an adjusted timing for the addition of new lines.

Umicore also announced in May two important steps to expand its integrated and sustainable battery materials value chain: the agreement to acquire Freeport Cobalt's cobalt refining and cathode precursor activities in Kokkola, Finland and a long-term partnership with Glencore for the supply of cobalt.

Outlook confirmed

As announced in April, Umicore expects its recurring EBIT for the full year to be in a range of € 475 million to € 525 million, assuming no material further deterioration of the macroeconomic environment. In Catalysis, Umicore expects to continue outperforming the automotive market and grow the business group's recurring EBIT for the full year from last year's level. The Energy & Surface Technologies business group continues to face challenging market conditions in its key end-markets which, combined with the effect of low cobalt prices and unethical supply as well as costs related to new investments, means that the business group's recurring EBIT for the full year is expected to be well below the level of last year. In Recycling, Umicore expects to benefit from the throughput improvement in Hoboken which, combined with a favorable supply mix and higher prices for certain metals, means that the business group's recurring EBIT for the full year should grow from the level of 2018, despite the impact of the July fire incident in Hoboken.

Marc Grynberg, CEO of Umicore, commented: *"Both the performance of the first half and the outlook for the full year are fully in line with all elements of the guidance that we provided in April. We are proving our agility to deal with challenging market conditions while continuing to execute our strategy in clean mobility materials and recycling. Our operating performance and strong balance sheet enable us to forcefully pursue growth investments and R&D programs and to confirm our dividend policy."*

Key figures

(in million €)	H1 2018	H2 2018	H1 2019
Turnover	6,354	7,362	7,581
Revenues (excluding metal)	1,684	1,587	1,634
Recurring EBITDA	364	356	357
Recurring EBIT	261	252	240
of which associates	5	0	6
Non-recurring EBIT	(6)	(8)	(3)
Total EBIT	256	244	236
Recurring EBIT margin	15.2%	15.9%	14.3%
Effective recurring tax rate	25.4%	23.4%	23.8%
Recurring net profit, Group share	163	163	151
Net profit, Group share	161	156	148
R&D expenditure	96	100	108
Capital expenditure	198	280	241
Net cash flow before financing	(270)	(335)	(3)
Total assets, end of period	6,175	6,053	6,217
Group shareholders' equity, end of period	2,573	2,609	2,589
Consolidated net financial debt, end of period	429	861	1,059
Gearing ratio, end of period	14.1%	24.4%	28.6%
Average net debt / recurring EBITDA	87.1%	90.5%	134.5%
Capital employed, end of period	3,285	3,802	3,975
Capital employed, average	3,144	3,544	3,888
Return on capital employed (ROCE)	16.6%	14.2%	12.3%
Workforce, end of period (fully consolidated)	9,875	10,419	10,725
Workforce, end of period (associates)	3,370	3,180	3,203
Accident frequency rate	3.40	3.32	4.69
Accident severity rate	0.05	0.11	0.16

Key figures per share

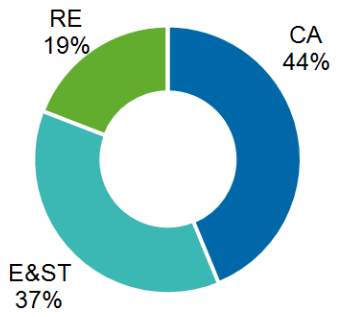
(in € / share)

	H1 2018	H2 2018	H1 2019
Total number of issued shares, end of period	246,400,000	246,400,000	246,400,000
of which shares outstanding	241,129,197	241,043,417	240,530,295
of which treasury shares	5,270,803	5,356,583	5,869,705
Average number of shares outstanding			
basic	237,282,550	241,077,873	240,505,946
diluted	239,856,621	243,561,929	242,022,202
Recurring EPS	0.69	0.68	0.63
Basic EPS	0.68	0.65	0.62
Diluted EPS	0.67	0.64	0.61
Dividend	0.350	0.400	0.375
Net cash flow before financing, basic	-1.14	-1.39	-0.01
Total assets, end of period	25.61	25.11	25.85
Group shareholders' equity, end of period	10.67	10.83	10.76

Segment split

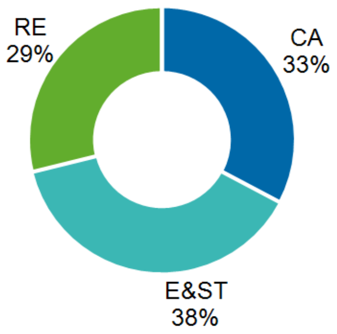
Revenues

(excluding metal)



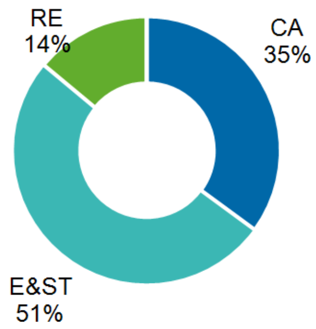
EBIT

(recurring)



Capital employed

(average)



CA = Catalysis, E&ST = Energy & Surface Technologies, RE = Recycling

Corporate not included

Catalysis

Catalysis key figures (in million €)	**H1 2018**	**H2 2018**	**H1 2019**
Total turnover	1,791	1,520	1,998
Total revenues (excluding metal)	709	652	717
Recurring EBITDA	120	117	124
Recurring EBIT	86	82	87
Total EBIT	82	81	87
Recurring EBIT margin	12.2%	12.6%	12.1%
R&D expenditure	68	68	77
Capital expenditure	32	47	45
Capital employed, end of period	1,193	1,265	1,315
Capital employed, average	1,171	1,229	1,290
Return on capital employed (ROCE)	14.7%	13.3%	13.4%
Workforce, end of period (fully consolidated)	3,026	3,070	3,149

Overview and outlook

Catalysis recorded revenues of € 717 million for the first 6 months of 2019, up 1% year on year despite a decline of 6.7% in global automotive production from the levels of the first half of 2018. This strong performance reflects market share gains in light duty gasoline applications, the growing penetration of gasoline particulate filters and significant growth in Precious Metals Chemistry. Recurring EBIT for the business group was € 87 million, similar to the level achieved in the first half of 2018 while recurring EBITDA was up 3% year on year.

Despite persisting headwinds in the automotive industry, Umicore expects to continue to outperform the underlying market, benefiting from market share gains in gasoline catalyst technologies, the increasing penetration in Europe of platforms requiring gasoline particulate filters and the launch of such gasoline platforms in China. The ramp-up of the new capacities in Poland and China will support the growing volumes of gasoline catalysts and filters. In addition, the business group should benefit from higher sales of compounds used in pharmaceutical, chemical deposition and fuel cell applications. As a result, and as announced in April, Umicore expects to grow the business group's recurring EBIT for the full year from last year's levels.

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Revenues for **Automotive Catalysts,** which currently account for more than 90% of the business group revenues, were broadly in line with the level of the first 6 months of 2018 despite the global downturn in the automotive industry. In the light-duty vehicles segment, Umicore outperformed the market both in terms of volumes and revenues benefiting from strong demand for its gasoline catalyst technologies. In the heavy-duty diesel segment Umicore recorded higher revenues.

Global light-duty vehicle production contracted by 6.7% year on year reflecting a steep decline in the world's largest car markets with China, Europe and North America down 12.1%, 6.4% and 3.6% respectively. The uncertain outlook on global economy and spiking trade and geopolitical tensions severely impacted consumer confidence. Against this challenging backdrop, Umicore's volumes and revenues grew in most regions on the back of strong demand for its gasoline catalysts technologies, which represented 86% of its light-duty catalyst volumes sold globally, as well as good customer and platform mix especially in China.

The Asian car market represents an increasing share of Umicore's global light-duty catalyst volumes reaching 37% in the first half of 2019, with the Chinese market representing the majority of that share.

Once again, Umicore significantly outperformed the Chinese car market, the world's single largest market, with volumes and revenues well above the levels of last year, reflecting market share gains. This strong performance was in sharp contrast with the Chinese car market, which after years of growth started to decline in the second half of 2018 and contracted by 12.1% in the first 6 months of 2019, as a slowing domestic economy and increasing trade tensions reduced consumer confidence. Production of new cars was also hampered by a de-stocking effect, as dealers offered high price discounts to reduce large inventories of China 5 vehicles prior to early implementation of China 6 emission norms in certain cities, with nationwide implementation as of July 2020.

In Korea, Umicore's revenues and volumes were down in a flat market due primarily to the timing of platform changes. Umicore's revenues and volumes slightly outgrew the South East Asian market, while Umicore's revenues with Japanese OEMs globally were flat year on year.

The European car market, which represented 31% of Umicore's light-duty catalyst volumes, declined by 6.4% year on year. The downward trend, which started to be observed in the third quarter of 2018, was amplified over the first six months of 2019. Diesel was most affected with a year-on-year decline of 13%, resulting in a share of 36% of car production in the region. Sales of Umicore's gasoline catalyst technologies, which represented 73% of Umicore's light-duty catalyst volumes sold in the region, were strong, including a growing contribution from gasoline particulate filters. This mitigated the impact on revenues of lower light-duty diesel catalyst sales.

In North America, Umicore grew its volumes and revenues in a declining car market, benefiting from a favorable platform and customer mix. In South America, Umicore's volumes and revenues were down, in line with a softer market. Both regions accounted together for 32% of Umicore's global light-duty vehicle catalyst volumes.

In order to cater for the growing demand for its gasoline catalysts and filters in Europe and China, Umicore is expanding its production capacity in both regions. In Europe, commissioning of the new lines in the plant in Poland started in the second quarter, while the new production lines in China are due to come on stream at the end of 2019. The additional production capacity in India to support the new Bharat Stage 6 awards is due to move into series production in the second half of 2019.

Revenues for **Precious Metals Chemistry** increased significantly compared to the previous year, primarily reflecting strong demand from the pharmaceutical and chemical industries for Umicore's homogeneous catalysts. Umicore acquired in July the metathesis chemistry and cross-coupling catalysis IP from Evonik, thereby expanding its portfolio of advanced homogeneous catalysts. Revenues from fuel cell catalysts used in the transportation segment were also higher, benefitting from the growing uptake of fuel cell drivetrain technology, in particular in Korea. Against the backdrop of accelerating demand, Umicore is expanding its fuel cell catalyst production capacity in Korea. The new plant is due to be commissioned at the end of 2019. Higher sales of active pharmaceutical ingredients also contributed to the overall year-on-year growth of the business unit's revenues.

Energy & Surface Technologies

Energy & Surface Technologies key figures (in million €)	**H1 2018**	**H2 2018**	**H1 2019**
Total turnover	1,666	1,984	1,414
Total revenues (excluding metal)	650	639	607
Recurring EBITDA	151	172	143
Recurring EBIT	121	136	102
of which associates	2	(1)	2
Total EBIT	121	130	97
Recurring EBIT margin	18.2%	21.5%	16.5%
R&D expenditure	17	22	21
Capital expenditure	138	178	147
Capital employed, end of period	1,451	1,769	1,982
Capital employed, average	1,329	1,610	1,876
Return on capital employed (ROCE)	18.2%	16.9%	10.8%
Workforce, end of period (fully consolidated)	2,988	3,447	3,551
Workforce, end of period (associates)	885	782	766

Overview and outlook

Revenues in Energy & Surface Technologies amounted to € 607 million, down 7% year on year, reflecting the impact of lower metal prices and lower volumes of NMC cathode materials used in batteries for energy storage systems as well as lower shipments of High Energy LCO cathode materials for high-end portable electronics.

Revenues and margins were significantly impacted by the lower cobalt price which reduced Umicore's cobalt refining, recycling and distribution margins compared to the historically high levels reached in the first half of 2018. In addition, the inflow of cheap cobalt which is sourced unethically from artisanal operations has put Umicore's high cobalt-containing products at a competitive disadvantage.

Depreciation charges resulting from last year's investments combined with the above factors, meant that recurring EBIT in the first half of the year decreased by € 19 million (-16%) to reach € 102 million. Recurring EBITDA amounted to € 143 million, compared to € 151 million in the first six month of 2018.

Umicore has decided to integrate its cobalt and nickel refining activities which directly feed the cathode materials production plants into its Rechargeable Battery Materials business unit. While this internal reorganization has no impact on segment reporting, it means that most comments about cobalt and nickel refining activities will henceforth fall under the Rechargeable Battery Materials unit, thereby giving a comprehensive view of the battery materials value chain, from raw materials to end products. The Cobalt & Specialty Materials business unit will continue to include the production and distribution of cobalt- and nickel-based chemicals for a wide range of non-battery applications as well as the battery recycling operations. The battery materials value chain, including the end-of-life recycling, accounts for approximately 70% of the business group's revenues.

As announced in April, the temporary slowdown in demand for cathode materials means that the previously stated projections of 100,000 metric tons of cathode materials sales in 2019 and the 175,000 metric tons capacity by the end of 2021 are now more likely to be achieved with a delay of 12 to 18 months. In particular EV growth in China has slowed down and actual demand for EVs has decreased from the levels seen in the second half of 2018 with the full impact of the subsidy cuts likely to be seen in the second half of 2019. Nevertheless, Umicore expects its overall sales volumes of cathode materials in the second half to grow both sequentially and compared to the same period last year. Recurring EBIT for the business group will also reflect the impact on margins of the depressed cobalt price as well as higher fixed costs such as depreciation charges from last year's investments and the upfront costs for the greenfield sites in China and Europe. As announced in April, the combination of these factors, mean that the recurring EBIT for the business group is expected to be well below the level of last year.

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Revenues and volumes in **Rechargeable Battery Materials** were slightly down year on year. This was due to the absence of sales of NMC cathode materials for energy storage applications in Korea and faltering demand for high energy density LCO used in high end portable applications. Demand for automotive applications was flat year on year.

The overall growth pace of demand for cathode materials used in Li-ion rechargeable batteries started to slow down in the first half of 2019. This slowdown was observed across market segments and, as explained at the end of April, impacted demand for Umicore's cathode materials.

In the transportation segment, the slowdown was most pronounced in China, which is the largest EV market globally, as the pace of growth in the region declined from 105% in the first 6 months of 2018 to 63% in the first half of this year. On a sequential basis, the absolute demand levels came down 18% from those seen in the second half of 2018. The Chinese government announced at the end of March a change in the Chinese NEV (new energy vehicles) subsidy mechanism, with deeper than anticipated subsidy cuts on national level and the removal of all regional subsidies, making EVs substantially more expensive in the context of an overall weak automotive demand in China. As the subsidy cuts took its full effect at the end of June, there may have been some pre-buying in June and the full impact of the subsidy cuts on demand is likely to be seen in the second half of 2019. Demand for Umicore's products in China was further impacted by the postponed start of production of a large EV platform and reduced demand for NMC used in batteries for e-buses.

Despite short-term fluctuations in demand for cathode materials used in automotive applications, the mid- and long-term fundamentals which support the electrification trend are structurally strong. In China, the regulatory push to electrification is continuing, as evidenced by the government's recently proposed NEV credit targets for 2021, 2022 and 2023 (14%, 16% and 18% respectively, up from 10% in 2019 and 12% in 2020). The government is also using other levers to stimulate electrification, such as the exemption of the 10% sales tax and the removal of registration plate limits for NEVs. In Europe, CO2 legislation and low emission credits are likewise anticipated to lead to a growing proportion of electric vehicles in the sales mix.

Umicore is firmly committed to enabling the transition to electrified mobility and is making good progress in its production capacity expansions in China and Poland. The construction of the greenfield site in China is nearing completion with commissioning of the first production lines starting after summer. To align with the currently slower pace of growth, and as mentioned earlier, Umicore is adjusting the pace of the addition of new capacity in China. In Poland, the construction of the production plant has recently started and commissioning is planned for mid-2020. Umicore also announced in May two important steps to expand its integrated and sustainable battery materials value chain: the agreement[2] to acquire Freeport Cobalt's cobalt refining and cathode precursor activities in Kokkola, Finland and a long-term partnership with Glencore for the supply of cobalt.

[2] Subject to customary closing conditions and regulatory approvals

In Korea, the largest market for energy storage systems, demand for NMC cathode materials used in this application came to a complete standstill when the production of new systems was halted early this year after a series of safety incidents. An investigation led by the Korean government unveiled different factors accountable for the fires, which were all unrelated to the battery cells or materials. Following the conclusion of the safety investigation in June, it is expected that demand for Umicore's products for this application will pick up again. Nonetheless, Umicore will not be able to make up for the missing volumes of the first half of the year.

Global demand for high-end portable electronics, such as smartphones and tablets, was subdued in the first 6 months of the year and the sales of Umicore's High Energy LCO cathode materials used in batteries for these applications were lower. The reduction in demand was exacerbated by high levels of inventory in the supply chain and the competitive price disadvantage compared to products containing cheaper cobalt units sourced unethically from artisanal operations.

Revenues and margins in the recycling and refining operations were severely impacted by the collapsing cobalt price, which halved since the end of 2018.

Revenues for the downstream product and distribution activities in **Cobalt & Specialty Materials** were also hit by the depressed cobalt price and were lower year on year as customers were destocking their excess inventories, which they had built up by fear of shortage when prices were rising in the first part of last year. Volumes were further impacted by the inflow of cobalt units from artisanal mining, which were significantly cheaper than the ethically sourced cobalt units contained in Umicore's products. While the current low cobalt price is deterring a certain number of diggers to pursue their activities, the stock of artisanal cobalt remains excessive and exerts pressure on market prices.

Umicore has a strict policy of not buying any cobalt sourced from artisanal operations, as the working conditions in such operations often involve child labor and offer very poor standards in terms of occupational health and safety.

Revenues for **Electroplating** were slightly down compared to the previous year. Demand for precious and base metal compounds decreased as a result of more difficult trading conditions in the jewelry, automotive and electrochemical end markets. This was only partially offset by higher demand for Umicore's precious metal-based electrolytes used in portable electronics.

Revenues for **Electro-Optic Materials** were stable compared to the previous year, with higher revenues from the refining and recycling activity offset by a smaller contribution from the microelectronics activity. Revenues for germanium tetrachloride and substrates remained stable.

Recycling

Recycling key figures (in million €)	**H1 2018**	**H2 2018**	**H1 2019**
Total turnover	3,325	4,300	4,705
Total revenues (excluding metal)	327	300	313
Recurring EBITDA	112	83	107
Recurring EBIT	79	56	76
Total EBIT	71	55	78
Recurring EBIT margin	24.2%	18.6%	24.4%
R&D expenditure	8	7	4
Capital expenditure	24	45	39
Capital employed, end of period	456	546	482
Capital employed, average	465	501	514
Return on capital employed (ROCE)	34.0%	22.2%	29.7%
Workforce, end of period (fully consolidated)	2,842	2,832	2,931

Note: The European activities of Technical Materials were divested on 31 January 2018

Overview and outlook

Recycling recorded revenues of € 313 million and recurring EBIT of 76 million for the first 6 months of 2019, both down 2% year on year excluding the impact of the sale of the European activities of Technical Materials in the beginning of 2018. This was due to the lower processed volumes in the Hoboken plant, which underwent an extended scheduled shutdown in the first quarter of 2019, partly offset by a better supply mix and higher metal prices. During the shutdown, Umicore carried out regular maintenance work as well as optimization investments to further enhance the performance of the plant. Recurring EBITDA amounted to € 107 million.

The increased throughput rate following the investments carried out in the Hoboken plant in the first quarter should lead to annualized processed volumes that are well above the record volumes processed in 2018. Notwithstanding the year-on-year impact of the extended shutdown and the fire incident in July on the overall availability of the smelter, the business group's recurring EBIT should grow year on year, benefiting from higher throughput rates, an improved supply environment and higher metal prices.

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Revenues for **Precious Metals Refining**, which currently represent about 70% of the revenues of the business group, were lower year on year as a result of a smaller tonnage of processed volumes due to the scheduled extended shutdown of the Hoboken smelter in the first quarter. The impact of lower volumes on revenues and earnings was partially offset by a better supply mix as well as higher prices for certain PGMs and specialty metals.

The availability of complex materials increased over the period and market conditions improved in certain segments. In end-of-life materials in particular, the stricter enforcement by the Chinese government of the import ban of electronic scrap resulted in a higher availability of such materials. Umicore also processed more spent automotive catalysts, leveraging its unique technological capabilities to process all types of spent catalysts. Over the period, end-of-life materials represented more than one third of the revenues generated by the business unit.

The planned extended shutdown, which took place in the first quarter for a duration of 7 weeks, twice as long as a regular maintenance shutdown, was successfully completed and operations restarted smoothly thereafter. In addition to the regular maintenance work, Umicore carried out modifications to key equipment which further enhanced the throughput rate of the plant.

On 3 July 2019, a fire occurred at the Hoboken plant. The origin of the fire was unrelated to the expansion program and started in the conveyor belt which feeds the smelter. The belt and its casing were destroyed and had to be replaced. While the smelter furnace and other critical production installations were intact, the smelter was shut down during the repair works and resumed normal operations at the end of July.

Excluding the impact of the divestment of the European activities of Technical Materials at the beginning of 2018, revenues for **Jewelry & Industrial Metals** were slightly higher year on year. Demand in the product businesses, in particular for performance catalysts and glass applications, remained strong. This was partly offset by lower order levels for jewelry products and reduced industrial demand for precious metals in the context of a more challenging macro-economic environment. The facility in China for equipment used in the production of high purity glass was commissioned in the first quarter of 2019 and is now fully operational.

The earnings contribution from **Precious Metals Management** increased year on year reflecting favorable trading conditions for certain precious metals. Physical deliveries for silver, palladium and rhodium remained strong.

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Corporate

Corporate key figures (in million €)	**H1 2018**	**H2 2018**	**H1 2019**
Recurring EBITDA	(19)	(16)	(18)
Recurring EBIT	(25)	(21)	(25)
of which associates	3	2	5
Total EBIT	(18)	(22)	(25)
R&D expenditure	3	4	5
Capital expenditure	5	10	10
Capital employed, end of period	185	222	196
Capital employed, average	179	204	209
Workforce, end of period (fully consolidated)	1,019	1,070	1,094
Workforce, end of period (associates)	2,485	2,398	2,437

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Corporate costs remained stable year on year at € 25 million.

The contribution from **Element Six Abrasives** to Umicore's recurring EBIT was higher year on year, as cost reduction and efficiency measures could offset the impact of lower revenues on Element Six' earnings. While revenues in oil and gas drilling products increased versus a softer first half of 2018, this increase, however, was offset by a weaker demand for precision tooling products for automotive and aerospace applications. Revenues for materials used in mining, road and wear parts were stable.

Research & development

For the first 6 months of 2019, R&D expenditure in fully consolidated companies amounted to € 108 million, up from € 96 million in the same period in 2018. Catalysis and Energy & Surface Technologies accounted for the majority of R&D spending, with most projects focused on developing new product technologies. The R&D spend represented 7% of revenues and capitalized development expenses accounted for € 17 million of the total.

People

The safety of our employees remains a top priority of management and while 90% of our sites globally were accident free in the first 6 months of the year, our safety performance was again unsatisfactory. Umicore recorded 45 lost time accidents compared to 30 for the same period in 2018, resulting in a frequency rate of 4.69 (3.40 in the first six months of 2018). The severity rate also increased from 0.05 to 0.16. Umicore will continue to work on improving its overall safety performance and is implementing awareness campaigns and specific programmes aimed at changing mindset and creating a more prominent safety culture.

The number of employees in the fully consolidated companies increased from 10,419 at the end of 2018 to 10,725 at the end of June 2019 with most new hires located in Belgium (mainly in Hoboken's recycling plant following the gradual expansion of capacity), Korea and Poland.

Financial review

Financial result and taxation

Net financial charges totalled € 39 million, up compared to € 35 million the same period previous year due to higher forex costs and net interest charges. The latter reflects higher financial debt, including an increased portion of local funding in Asia.

The recurring tax charge for the period amounted to € 46 million, down compared to the same period last year as result of a lower taxable base and a lower recurring effective tax rate of 23.8% (25.4% for the same period last year). The total tax paid in cash over the period amounted to € 65 million, which is € 6 million lower than the same period last year.

Cashflows

Cashflow generated from operations, including changes in net working capital, amounted to € 308 million, triple last year's number. After deduction of € 258 million of capital expenditures and capitalized development expenses, this corresponds to a free cash flow from operations over the period of € 50 million, compared to a negative cashflow of € 104 million in the same period last year. Free cash flow from operations in the second half of 2019 is expected to be substantially better than in the same period last year.

Recurring EBITDA was € 357 million compared to € 364 million in the same period last year and corresponding to a recurring EBITDA margin of 21.4 %. The adoption of the new IFRS 16 lease standard had a positive effect of € 7.3 million on the period's recurring EBITDA. Net working capital was stable versus the level of the end of 2018 and compares to a large increase in the same period of last year. Capital expenditures totalled € 241 million, up from € 198 million in prior year and included the investments carried out during the extended maintenance shutdown of the Hoboken plant. The business group Energy & Surface Technologies accounted for some 60 % of total capex over the period, mostly linked to the ongoing greenfield expansion projects in battery materials, in China in particular. While Umicore remains committed to its strategic growth initiatives, the pace of the addition of new production lines in China has been adjusted to align with the currently slower pace of growth. Capex for the full year is expected to amount to approximately € 600 million, driven mainly by the expansions underway in Catalysis and Energy & Surface Technologies.

Dividends paid to Umicore shareholders over the period amounted to € 96 million and the net cash outflow related to the purchase of treasury shares to cover stock options and share grants was € 33 million.

Financial debt

Net financial debt at 30 June 2019 stood at € 1,059 million, up from € 861 million at the end of 2018, including a € 37 million increase resulting from the recognition of operating leases in financial debt following the application of the new IFRS 16 lease standard (we refer to the IFRS notes for more detail). Net financial debt at the end of the period corresponded to 1.48x recurring EBITDA, which leaves ample balance sheet room to execute Umicore's strategy. Group shareholders' equity was € 2,589 million resulting in a net gearing ratio (net debt / net debt + equity) of 28.6% compared to 24.4% at the end of 2018.

Umicore successfully completed a € 390 million fixed-rate US Private Placement notes issue composed of a 7-year tranche of € 50 million maturing in September 2026, a 10-year tranche of € 230 million maturing in September 2029 and a 12-year tranche of € 110 million maturing in September 2031. The funds are expected to be drawn upon in September. The issue will complement the two existing long-term private debt placements of a total amount of € 690 million, the two currently undrawn Syndicated Bank Credit Facilities of a total amount of € 795 million and substantial additional shorter-term funding instruments.

Non-recurring items

Non–recurring items had a small negative impact of € 3.4 million on EBIT over the period.

Umicore's definition of non-recurring items includes impairments of permanently tied-up metal inventories. Any such non-cash impairments (or reversals thereof) are irrelevant to Umicore's cash flows or operational and commercial performance. Prior to 2019, Umicore's inventory accounting policies applied the lower cost or market principle to assess the need for impairment on its permanently tied-up metal inventories. In 2019 Umicore changed its accounting policies in relation to such inventories to reduce potential future non-recurring result volatility triggered by fluctuations in the market price of respective metals that do not reflect current or future underlying cash flows or commercial and operational performance. As from 1 January 2019, Umicore applies IAS 16 and IAS 36 principles to value its permanently tied-up metal inventories, implying that these inventories will be part of Umicore's annual impairment testing of the businesses (cash generating units) that carry those inventories. The 30 June 2019 close identified no need for impairment on the permanently tied-up metal inventories. We refer to the IFRS notes for more detail on this change in accounting policy and its impact.

Hedging

Over the course of the first half of 2019, Umicore entered into forward contracts to secure a substantial additional portion of its structural price exposure for certain precious metals, providing increased earnings visibility going forward. In particular for gold, platinum and palladium, Umicore locked-in a significant part of its remaining 2019 exposure, close to half of its 2020 exposure and a more limited portion of its 2021 exposure.

Dividend and shares

The Board of Directors has approved an interim dividend of € 0.375 per share. This corresponds to half the annual dividend declared for the financial year 2018, in line with the dividend policy. The interim dividend will be paid out on 27 August 2019.

In the first half of 2019 Umicore bought back 1,275,871 of its own shares. During the period 691,449 shares were used in the context of exercised stock options and stock grants. On 30 June 2019 Umicore held 5,869,705 shares in treasury, representing 2.38% of the Group's outstanding shares.

Statutory auditor’s report on the review of the consolidated condensed interim financial information for the period ended 30 June 2019

Introduction

We have reviewed the accompanying consolidated condensed interim financial information, consisting of the consolidated balance sheet of Umicore and its subsidiaries (jointly “the Group”) as of 30 June 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in the equity of the Group and the consolidated cash flow statement for the six-month period then ended, as well as the explanatory notes. The board of directors is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with IAS 34, as adopted by the European Union. Our responsibility is to express a conclusion on this consolidated condensed interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, as adopted by the European Union.

Sint-Stevens-Woluwe, 30 July 2019

The statutory auditor

PwC Bedrijfsrevisoren cvba/Reviseurs d'Entreprises scrl

Represented by

Kurt Cappoen
Registered auditor

Management responsibility statement

I hereby certify that, to the best of my knowledge, the consolidated condensed interim financial information for the period ended on 30 June 2019, prepared in accordance with the IAS 34 “Interim Financial Reporting”, as adopted by the European Union, and with legal requirements in Belgium, gives 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 for the period ended 30 June 2019. The commentary on the overall performance of the Group from page 1 to 14 includes a fair review of the development and performance of the business and the position of the Group and its undertakings included in the consolidation as a whole.

Brussels, 30 July 2019

Marc Grynberg
Chief Executive Officer

Consolidated condensed interim financial information for the period ended on 30 June 2019

Consolidated income statement

(in million €)	H1 2018	H2 2018	H1 2019
Turnover	6,354.3	7,362.4	7,581.3
Other operating income	49.9	51.7	67.8
Operating income	6,404.2	7,414.1	7,649.1
Raw materials and consumables	(5,407.2)	(6,448.1)	(6,674.5)
Payroll and related benefits	(367.8)	(363.3)	(392.6)
Depreciation and impairments	(110.4)	(116.8)	(138.9)
Other operating expenses	(275.3)	(241.3)	(214.0)
Operating expenses	(6,160.7)	(7,169.4)	(7,420.1)
Income (loss) from other financial assets	5.0	-	1.0
Result from operating activities	248.5	244.7	230.1
Financial income	2.3	3.5	1.9
Financial expenses	(24.5)	(23.3)	(26.6)
Foreign exchange gains and losses	(12.5)	(14.3)	(14.5)
Share in result of companies accounted for using the equity method	7.1	(0.4)	6.0
Profit (loss) before income tax	221.0	210.1	196.9
Income taxes	(53.0)	(50.2)	(45.5)
Profit (loss) from continuing operations	168.0	159.8	151.4
Profit (loss) of the period	168.0	159.8	151.4
of which minority share	7.0	3.9	3.1
of which Group share	161.0	156.0	148.3
(in € / share)			
Basic earnings per share from continuing operations	0.68	0.65	0.62
Diluted earnings per share from continuing operations	0.67	0.64	0.61
Dividend per share	0.350	0.400	0.375

Consolidated statement of comprehensive income
(in million €)

	H1 2018	H2 2018	H1 2019
Profit (loss) of the period from continuing operations	168.0	159.8	151.4
Items in other comprehensive income that will not be reclassified to P&L			
Changes in post employment benefits, arising from changes in actuarial assumptions	1.7	(9.3)	(20.9)
Changes in deferred taxes directly recognized in other comprehensive income	(0.7)	1.3	6.3
Items in other comprehensive income that may be subsequently reclassified to P&L			
Changes in financial assets at FV through OCI reserves	(2.8)	0.1	-
Changes in cash flow hedge reserves	6.4	(36.6)	3.3
Changes in deferred taxes directly recognized in other comprehensive income	0.4	9.8	(0.6)
Changes in currency translation differences	(11.3)	7.2	(0.9)
Other comprehensive income from continuing operations	(6.3)	(27.5)	(12.8)
Total comprehensive income for the period	161.7	132.3	138.6
of which Group share	155.2	128.2	134.8
of which minority share	6.4	4.1	3.9

Consolidated balance sheet

(in million €)	30/06/2018	31/12/2018	30/06/2019
Non-current assets	2,077.3	2,246.2	2,451.3
Intangible assets	342.2	337.3	345.0
Property, plant and equipment	1,420.7	1,601.9	1,770.9
Investments accounted for using the equity method	160.7	151.4	156.5
Financial assets at fair value through Other Comprehensive Income	4.9	8.0	9.2
Loans granted	10.3	2.6	2.2
Trade and other receivables	11.6	12.1	11.5
Deferred tax assets	126.9	132.9	156.1
Current assets	4,097.9	3,807.1	3,765.3
Loans granted	0.1	6.3	3.1
Inventories	1,886.3	2,308.1	2,102.2
Trade and other receivables	1,545.2	1,146.0	1,302.3
Income tax receivables	35.9	61.7	36.7
Cash and cash equivalents	630.4	285.1	320.9
Total assets	**6,175.1**	**6,053.3**	**6,216.6**
Equity of the Group	2,609.7	2,659.3	2,637.8
Group shareholders' equity	2,572.8	2,609.3	2,588.8
Share capital and premiums	1,384.3	1,384.3	1,384.3
Retained earnings	1,536.3	1,610.8	1,626.5
Currency translation differences and other reserves	(196.9)	(227.6)	(233.0)
Treasury shares	(150.9)	(158.1)	(189.0)
Minority interest	36.9	49.9	48.9
Non-current liabilities	1,194.5	1,185.4	1,251.1
Provisions for employee benefits	321.9	333.8	348.9
Financial debt	694.0	708.8	755.7
Trade and other payables	42.0	24.4	25.2
Deferred tax liabilities	6.8	6.2	5.8
Provisions	129.9	112.1	115.5
Current liabilities	2,370.9	2,208.6	2,327.7
Financial debt	365.3	436.8	623.9
Trade and other payables	1,870.3	1,589.4	1,521.8
Income tax payable	59.6	74.5	95.6
Provisions	75.7	108.0	86.4
Total equity & liabilities	**6,175.1**	**6,053.3**	**6,216.6**

Consolidated statement of changes in the equity of the Group

(in million €)

	Share capital & premiums	Reserves	Currency translation & other reserves	Treasury shares	Minority interest	Total for continuing operations
Balance at the beginning of H1 2018	**502.9**	**1,584.4**	**(202.5)**	**(81.8)**	**59.6**	**1,862.6**
Change in accounting policies	-	(2.5)	-	-	0.1	(2.3)
Restated balance at the beginning of H1 2018	**502.9**	**1,582.0**	**(202.5)**	**(81.8)**	**59.7**	**1,860.3**
Result of the period	-	161.0	-	-	7.0	168.0
Other comprehensive income for the period	-	-	(5.8)	-	(0.6)	(6.3)
Total comprehensive income for the period	-	161.0	(5.8)	-	6.4	161.7
Changes in share-based payment reserves	-	-	11.1	-	-	11.1
Capital increase	881.4	-	-	-	-	881.4
Dividends	-	(91.0)	-	-	(18.2)	(109.2)
Transfers	-	(3.0)	-	3.0	-	-
Changes in treasury shares	-	-	-	(72.1)	-	(72.1)
Changes in scope	-	(112.7)	0.2	-	(11.1)	(123.5)
Balance at the end of H1 2018	**1,384.3**	**1,536.3**	**(196.9)**	**(150.9)**	**36.9**	**2,609.7**
Result of the period	-	156.0	-	-	3.9	159.8
Other comprehensive income for the period	-	-	(27.8)	-	0.2	(27.5)
Total comprehensive income for the period	-	156.0	(27.8)	-	4.1	132.3
Capital increase	-	-	-	-	10.9	10.9
Dividends	-	(84.4)	-	-	(1.9)	(86.3)
Transfers	-	3.0	(3.0)	-	-	-
Changes in treasury shares	-	-	-	(7.2)	-	(7.2)
Changes in scope	-	(0.1)	-	-	-	(0.1)
Balance at the end of H2 2018	**1,384.3**	**1,610.8**	**(227.6)**	**(158.1)**	**49.9**	**2,659.3**

Consolidated statement of changes in the equity of the Group (in million €)	**Share capital & premiums**	**Reserves**	**Currency translation & other reserves**	**Treasury shares**	**Minority interest**	**Total for continuing operations**
Balance at the beginning of H1 2019	**1,384.3**	**1,610.8**	**(227.6)**	**(158.1)**	**49.9**	**2,659.3**
Change in accounting policies	-	(34.1)	-	-	0.5	(33.5)
Restated balance at the beginning of H1 2019	**1,384.3**	**1,576.7**	**(227.6)**	**(158.1)**	**50.5**	**2,625.7**
Result of the period	-	148.3	-	-	3.1	151.4
Other comprehensive income for the period	-	-	(13.6)	-	0.8	(12.8)
Total comprehensive income for the period	-	148.3	(13.6)	-	3.9	138.6
Changes in share-based payment reserves	-	-	8.2	-	-	8.2
Capital increase	-	-	-	-	0.2	0.2
Dividends	-	(96.2)	-	-	(5.6)	(101.8)
Transfers	-	(2.4)	-	2.4	-	-
Changes in treasury shares	-	-	-	(33.3)	-	(33.3)
Balance at the end of H1 2019	**1,384.3**	**1,626.5**	**(233.0)**	**(189.0)**	**48.9**	**2,637.7**

Consolidated cashflow statement

(in million €)	H1 2018	H2 2018	H1 2019
Profit (loss) from continuing operations	168.0	159.8	151.4
Adjustments for profit of equity companies	(7.1)	0.4	(6.0)
Adjustment for non-cash transactions	213.6	134.7	94.3
Adjustments for items to disclose separately or under investing and financing cashflows	63.0	67.4	58.3
Change in working capital requirement	(335.2)	(372.8)	10.4
Cashflow generated from operations	102.3	(10.6)	308.4
Dividend received	0.0	8.4	1.9
Tax paid during the period	(70.8)	(56.6)	(64.8)
Government grants received	(0.2)	0.2	0.1
Net operating cashflow	31.3	(58.6)	245.6
Acquisition of property, plant and equipment	(195.6)	(270.4)	(234.8)
Acquisition of intangible assets	(10.9)	(20.9)	(23.2)
Acquisition of new subsidiaries, net of cash acquired	(24.8)	0.6	-
Acquisition in additional shareholdings in subsidiaries	(123.4)	-	-
Acquisition of financial assets	-	(2.5)	(0.6)
New loans extended	(1.1)	(1.4)	(0.1)
Sub-total acquisitions	(355.8)	(294.5)	(258.6)
Disposal of property, plant and equipment	2.1	4.1	5.8
Disposal of intangible assets	-	12.1	-
Disposal of subsidiaries and associates, net of cash disposed	35.7	-	0.9
Disposal of financial fixed assets	16.9	0.5	-
Repayment of loans	1.7	1.9	3.6
Internal transfer	(1.6)	0.0	0.0
Sub-total disposals	54.8	18.5	10.3
Net cashflow generated by (used in) investing activities	(300.9)	(276.0)	(248.3)
Capital increase	881.4	0.0	-
Capital increase (decrease) minority	-	10.8	0.2
Own shares	(72.1)	(7.2)	(33.3)
Lease liability change	-	-	(6.8)
Interest received	2.3	3.6	2.1
Interest paid	(19.8)	(17.8)	(22.8)
New loans and repayments	47.4	72.9	168.8
Dividends paid to Umicore shareholders	(91.0)	(84.4)	(96.1)
Dividends paid to minority shareholders	(18.2)	(1.9)	(3.5)
Net cashflow generated by (used in) financing activities	730.0	(24.0)	8.6
Effect of exchange rate fluctuations	0.6	(1.1)	3.8
Total net cashflow of the period	461.0	(359.8)	9.7
Net cash and cash equivalents at the beginning of the period for continuing operations	155.9	616.9	257.1
Net cash and cash equivalents at the end of the period for continuing operations	616.9	257.1	266.8
of which cash and cash equivalents	630.4	285.1	320.9
of which bank overdrafts	(13.5)	(28.0)	(54.1)

Notes to the consolidated condensed interim financial information for the period ended on 30 June 2019

Note 1: Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2019 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union.

They do not include all the information required for full annual financial statements and should therefore be read in conjunction with the consolidated financial statements for the year 2018 as published in the 2018 Annual Report.

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors held on 30 July 2019.

Note 2: Changes in accounting policies and presentation rules and impacts

The accounting policies applied in the preparation of the consolidated condensed interim financial information are consistent with those followed in the preparation of Umicore's annual financial statements for the year ended 31 December 2018, except for the adoption of two new standards and one change in accounting policies, effective as of 1 January 2019, the nature and effect of which are disclosed below as required by IAS 34.

Umicore has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2.1 Adoption of IFRS 16 – Lease accounting

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

IFRS 16 impacts Umicore acting as a lessee under agreements previously classified as operating lease contracts and mainly consisting of car leases and a limited number of rental agreements of warehouses and offices.

Umicore adopted IFRS 16 on 1 January 2019, in accordance with its transitional provisions, using the modified retrospective approach. Hence, Umicore opted to measure the right-of-use asset at an amount equal to the lease liability at opening (no prepaid nor accrued lease expenses), without restatement of the comparative figures.

The lease liabilities were measured at the present value of the remaining lease payments, discounted to 1 January 2019 using a centralized weighted average incremental borrowing rate set at 1.8%.

Umicore has applied the following practical expedients, as permitted by IFRS 16, on the transition date:

- No reassessment of all contracts whether they are or contains a lease at the date of initial application. Instead, the Group applied IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4
- The use of centralized discount rates defined by currency and by term

- Reliance on previous assessments on whether leases are onerous instead of performing an impairment review at opening

Umicore has applied the lease recognition exemptions for short-term leases and leases for which the underlying asset is of low value. Umicore elected, by class of underlying asset, not to separate non-lease components from lease components and instead accounts for each lease component and any associated non-lease component as one single lease component. There are no material intercompany subleases.

The effect of adopting IFRS 16 is as follows:

1. **Effect on the consolidated balance sheet:**

Increase of property, plant and equipment and (net) financial debt by € 37.3 million on 1 January 2019 and by € 37.2 million on 30 June 2019.

2. **Effect on the consolidated statement of comprehensive income:**

The net profit before tax has not been materially impacted. The other operating expenses decreased by € 7.7 million offset by an increase in the depreciations of the right-of-use assets and in interests for a total amount of respectively € 7.3 million and € 0.3 million.

3. **Effect on the cashflow statement:**

The interests and the reimbursement of the lease liability are both classified as financing cash flows whereas before the operating lease rents were part of the operating cash flows.

2.2 Adoption of IFRIC 23 – Uncertainty over Income Tax treatments

The IFRIC 23 interpretation clarifies accounting for uncertainties in income taxes and is to be applied when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, in case of uncertainty over whether Umicore’s position will be accepted by tax authorities. It is applicable to both current and deferred tax items.

Umicore made a detailed assessment of all tax uncertainties within the Group, thereby:

- considering uncertainties individually or collectively, based on which approach provided the best predictions of the resolution of the uncertainties with the tax authorities,
- assuming that the tax authority will examine the position (if entitled to do so) and will have full knowledge of all the relevant information;
- Recognizing an Uncertain Tax Position or UTP (or group of UTPs) using either the most likely amount or the expected value, depending on which is thought to give a better prediction of the resolution of each (group of) UTP(s), to reflect the likelihood of an adjustment being realised on examination.

The Group applied IFRIC 23 retrospectively with the cumulative effect of initially applying the Interpretation recognized as an adjustment to the opening balance of the reserves on 1 January 2019. In accordance with the transitional provisions of IFRIC 23 it has opted not to restate comparative information.

The total impact of applying IFRIC 23 on Umicore’s reserves as at 1 January 2019 amounts to € 42.2 million, as a result of the provisions recorded for tax uncertainties increasing from € 32.4 million to € 74.6 million. The impact on Umicore’s income statement during the first semester of 2019 amounted to - € 8.9 million.

2.3 Change in accounting policy with regards to permanently tied-up metal inventories

In line with Umicore's accounting policies related to inventories (note 2.9 "Inventory" in the 2018 annual report), metals are classified in inventory categories that reflect their specific nature and business use. As from its adoption of IFRS in 2003, Umicore classifies permanently tied-up metal inventories as a separate inventory category. These inventories consist of metal stocks required to run operations without business interruption ("Core Inventories" concept). As mentioned under note 3.2.3. "Metal inventory risk" in its 2018 annual report, Umicore faces metal price risks on its permanently tied-up metal inventories arising from a market price for a given permanently tied-up metal inventory potentially falling below its carrying value. Such risk is irrelevant to Umicore's cash flows or operational and commercial performance.

Until 31 December 2018, Umicore valued these permanently tied-up metal inventories following the lower of cost or net realizable value principle (LOCOM). This principle implied that a non-cash impairment charge is recognized in operating income in case the market price of such inventories on closing date falls below its carrying value. Such impairment was reversed in case of a subsequent recovery in the closing market price. Umicore consistently reported and disclosed these impairment movements under non-recurring items. In the past, such net impairments remained limited in size (since 2010 the largest reported net impairment amounted to € 26 million in 2015).

Umicore's permanently tied-up cobalt and nickel metal inventories increased substantially on the back of the expansion in battery materials. In addition, the recent market price of cobalt showed very strong volatility and dropped substantially since 1 January 2019. Applying the LOCOM principle on permanently tied-up metal inventories on 30 June 2019 would have given rise to a non-cash impairment charge of € 158 million for the Group, partly offset by a positive tax impact of € 39.5 million. Taking into account the permanent nature of such inventories, Umicore reviewed its related accounting policy aimed at reducing potential future non-recurring result volatility triggered by fluctuations in the market price of respective metals that do not reflect current or future underlying cash flows or commercial and operational performance.

While these permanently tied-up inventories are as such recoverable, as long as there is no structural change to the prevailing flowsheet or business set-up, they are expected to be used for an indefinite period in time. Consequently, their carrying amount is expected be recovered through the cash flows generated by the cash generating units ("CGU's") for which they are used, rather than through a sale.

In view of their permanent nature, Umicore opted to apply as from 1 January 2019 the measurement and recognition rules of Property, Plant and Equipment (IAS 16) and Impairment of Assets (IAS 36) to all of its permanently tied-up metal inventories. As a consequence, the valuation principle for such inventories changed from LOCOM to the "historical cost less any accumulated depreciation and accumulated impairment" principle. As the inventories are considered to have an unlimited useful life, no depreciations are applied. Instead they will be subject to Umicore's annual impairment testing of the CGU's carrying these inventories. In view of their physical characteristics and related processes and systems, these metals will remain classified under Inventories.

As of 1 January 2019, the cumulative "lower of cost or net realizable value" provision amounted to € 8.5 million. The change in accounting policy has been retrospectively applied as from 1 January 2019 representing the release of this cumulative "lower of cost or net realizable value" provision", to the opening balance sheet reserves. During 2018 this provision had been increased by € 6.0 million presented under non-recurring items. Due to the immaterial impact Umicore decided not to adjust the comparative financial information of prior periods.

As from the moment there are material changes in the prevailing business set-up due to which the related permanently tied-up metal inventories would no longer be required, such inventories will be reclassified from "held to carry" to "held for sale" assets. Any inventories held for sale are valued at the lower of the carrying amount and fair value less cost to sell.

The total gross book value of Umicore's permanently tied-up metal inventories at 30 June 2019 amounted to € 807 million (€ 791 million on 1 January 2019) which compares to a value of € 1,619 million when applying the 30 June 2019 market prices.

Note 3: Segment information

Condensed segment information H1 2018

(in million €)

	Catalysis	Energy & Surface Technologies	Recycling	Corporate	Eliminations	Total Continued operations	Total
Total segment turnover	1,791.3	1,666.3	3,325.0	34.0	(462.3)	6,354.3	6,354.3
of which external turnover	1,773.2	1,637.4	2,909.7	34.0	-	6,354.3	6,354.3
of which inter-segment turnover	18.1	28.9	415.3	-	(462.3)	-	0.0
Total segment revenues (excluding metal)	708.9	650.3	326.7	-	(2.2)	1,683.7	1,683.7
of which external revenues (excluding metal)	708.4	650.1	325.3	-	-	1,683.7	1,683.7
of which inter-segment revenues (excluding metal)	0.5	0.2	1.5	-	(2.2)	-	-
Recurring EBIT	86.3	120.6	79.2	(24.6)	-	261.5	261.5
of which from operating result	86.3	118.3	79.2	(27.4)	-	256.3	256.3
of which from equity method companies	-	2.3	-	2.8	-	5.1	5.1
Non-recurring EBIT	(4.7)	0.2	(8.4)	7.0	-	(5.9)	(5.9)
of which from operating result	(4.7)	0.2	(8.4)	5.0	-	(7.9)	(7.8)
of which from equity method companies	-	-	-	2.0	-	2.0	2.0
Total EBIT	81.6	120.8	70.8	(17.6)	-	255.6	255.6
of which from operating result	81.6	118.5	70.8	(22.4)	-	248.5	248.5
of which from equity method companies	-	2.3	-	4.8	-	7.1	7.1
Capital expenditure	31.9	137.7	23.5	4.6	0.0	197.7	197.7
Depreciation & amortization	34.1	30.6	32.4	5.5	-	102.5	102.5

Condensed segment information H2 2018

(in million €)

	Catalysis	Energy & Surface Technologies	Recycling	Corporate	Eliminations	Total Continued operations	Total
Total segment turnover	1,519.6	1,983.9	4,300.4	12.1	(453.6)	7,362.4	7,362.4
of which external turnover	1,499.4	1,955.4	3,895.5	12.1	-	7,362.4	7,362.4
of which inter-segment turnover	20.2	28.5	405.0	-	(453.6)	-	-
Total segment revenues (excluding metal)	651.5	639.0	299.5	-	(2.7)	1,587.3	1,587.3
of which external revenues (excluding metal)	650.8	638.8	297.7	-	-	1,587.3	1,587.3
of which inter-segment revenues (excluding metal)	0.7	0.3	1.8	-	(2.7)	-	-
Recurring EBIT	81.9	136.0	55.6	(21.4)	-	252.1	252.1
of which from operating result	81.9	137.5	55.6	(23.1)	-	251.9	251.9
of which from equity method companies	-	(1.5)	-	1.7	-	0.2	0.2
Non-recurring EBIT	(1.2)	(5.6)	(0.6)	(0.4)	-	(7.7)	(7.7)
of which from operating result	(1.2)	(5.6)	(0.6)	0.2	-	(7.1)	(7.1)
of which from equity method companies	-	-	-	(0.6)	-	(0.6)	(0.6)
Total EBIT	80.7	130.5	55.0	(21.8)	-	244.4	244.4
of which from operating result	80.7	132.0	55.0	(22.9)	-	244.7	244.7
of which from equity method companies	-	(1.5)	-	1.1	-	(0.4)	(0.4)
Capital expenditure	46.9	178.4	44.9	9.7	(0.0)	279.9	279.9
Depreciation & amortization	35.0	35.7	27.5	5.9	-	104.0	104.0

Condensed segment information H1 2019

(in million €)

	Catalysis	Energy & Surface Technologies	Recycling	Corporate	Eliminations	Total Continued operations	Total
Total segment turnover	1,997.6	1,414.5	4,704.7	29.2	(564.6)	7,581.3	7,581.3
of which external turnover	1,957.6	1,387.1	4,207.3	29.2	-	7,581.3	7,581.3
of which inter-segment turnover	40.0	27.3	497.4	-	(564.6)	0.0	0.0
Total segment revenues (excluding metal)	716.5	607.2	313.3	-	(2.6)	1,634.4	1,634.4
of which external revenues (excluding metal)	715.8	607.1	311.5	-	-	1,634.4	1,634.4
of which inter-segment revenues (excluding metal)	0.7	0.1	1.8	-	(2.6)	-	0.0
Recurring EBIT	86.6	101.6	76.4	(25.0)	-	239.6	239.6
of which from operating result	86.6	100.0	76.4	(29.6)	-	233.3	233.3
of which from equity method companies	-	1.6	-	4.6	-	6.3	6.3
Non-recurring EBIT	-	(4.6)	1.4	(0.3)	-	(3.4)	(3.4)
of which from operating result	-	(4.6)	1.4	(0.0)	-	(3.2)	(3.2)
of which from equity method companies	-	-	-	(0.2)	-	(0.2)	(0.2)
Total EBIT	86.6	97.0	77.7	(25.3)	-	236.1	236.1
of which from operating result	86.6	95.4	77.7	(29.6)	-	230.1	230.1
of which from equity method companies	-	1.6	-	4.4	-	6.0	6.0
Capital expenditure	44.7	147.4	38.6	10.3	-	241.0	241.0
Depreciation & amortization	37.8	41.4	30.7	7.3	-	117.2	117.2

Note 4: Non-recurring results included in the results, including discontinued operations

Impact of non-recurring elements (in million €)	**Total**	**of which: recurring**	**Non-recurring**
H1 2018			
Profit from operations	248.5	256.3	(7.8)
of which income from other financial investments	5.0	(0.0)	5.0
Result of companies accounted for using the equity method	7.1	5.1	2.0
EBIT	255.6	261.5	(5.9)
Finance cost	(34.7)	(34.7)	-
Tax	(53.0)	(56.3)	3.3
Net result	168.0	170.5	(2.5)
of which minority share	7.0	7.1	(0.1)
of which Group share	161.0	163.5	(2.5)
H2 2018			
Profit from operations	244.7	251.9	(7.1)
of which income from other financial investments	0.1	0.2	(0.1)
Result of companies accounted for using the equity method	(0.4)	0.2	(0.6)
EBIT	244.4	252.1	(7.7)
Finance cost	(34.2)	(34.2)	-
Tax	(50.3)	(51.0)	0.7
Net result	159.8	166.9	(7.1)
of which minority share	3.9	4.0	(0.1)
of which Group share	156.0	163.0	(7.0)
H1 2019			
Profit from operations	230.1	233.3	(3.2)
of which income from other financial investments	1.0	1.0	-
Result of companies accounted for using the equity method	6.0	6.3	(0.2)
EBIT	236.1	239.6	(3.4)
Finance cost	(39.2)	(39.2)	-
Tax	(45.5)	(46.2)	0.7
Net result	151.4	154.1	(2.7)
of which minority share	3.1	3.1	-
of which Group share	148.3	151.0	(2.7)

Note 5: Share based payments

A charge of € 8.2 million was recognised in the income statement in respect of stock options and shares granted to senior executives of the company in 2019.

Note 6: Financial instruments

The fair value of financial instruments held for cash flow hedge and other financial instruments are based on inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly (Level 2). For financial assets at fair value through OCI, it is based on quoted prices in active markets for identical assets (Level 1).

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 reputed brokers and banks.

6.1 Financial instruments related to cash-flow hedging

	Notional or contractual amount		Fair value	
(in thousand €)	31/12/2018	30/06/2019	31/12/2018	30/06/2019
Forward commodities sales	22,498	90,471	(5,778)	(8,974)
Forward commodities purchases	(101,452)	(98,911)	1,854	8,524
Forward currency contracts sales	486,796	404,727	1,060	(1,052)
Forward currency contracts purchases	(89,545)	(88,253)	3,790	6,171
Forward IRS contracts	64,290	65,790	(586)	(1,138)
Total fair value impact subsidiaries	**-**	**-**	**340**	**3,531**
Recognized under trade and other receivables	-	-	17,184	18,109
Recognized under trade and other payables	-	-	(16,844)	(14,578)
Total fair value impact associates and joint ventures	-	-	(1,440)	(1,202)
Total	**-**	**-**	**(1,100)**	**2,329**

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.

The forward commodities sales contracts are set up to hedge primarily the precious metals. The forward commodity purchase contracts are set up to hedge primarily the electricity, gas and fuel oil price risks.

The forward currency contracts are set up to hedge USD, KRW, BRL, CNY, CAD and ZAR inter alia.

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

In those circumstances whereby the hedge accounting documentation as defined under IFRS 9 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 2018 and 2019.

6.2 Financial instruments related to fair value hedging

(in thousand €)	Notional or contractual amount		Fair value	
	31/12/2018	**30/06/2019**	**31/12/2018**	**30/06/2019**
Forward commodities sales	194,909	228,194	3,101	(4,513)
Forward commodities purchases	(234,618)	(222,721)	4,861	5,528
Forward currency contracts sales	1,350,314	999,431	(3,741)	1,877
Forward currency contracts purchases	(669,549)	(446,820)	2,779	641
Total fair value impact subsidiaries	**-**	**-**	**7,000**	**3,533**
Recognized under trade and other receivables	-	-	18,844	12,962
Recognized under trade and other payables	-	-	(11,844)	(9,429)
Total	**-**	**-**	**7,000**	**3,533**

In the fair value hedge accounting as applied under IFRS 9, the fair values of the hedging instruments disclosed in the table above are immediately recognized in the income statement under Other operating income for the commodity instruments and under the Net Finance cost for the currency instruments.

Note 7: Shares

The total number of issued shares at the end of June is 246,400,000.

Of the 5,356,583 treasury shares held at the end of 2018, 71,300 shares were used for the employee free share program and 691,449 shares were used to honour the exercising of stock options during the period. Umicore also bought back 1,275,871 of its own shares. On 30 June 2019, Umicore owned 5,869,705 treasury shares, representing 2.38% of the total number of shares issued at that date.

Note 8: IFRS developments

New and amended standards and interpretations need to be adopted in the first interim financial statements issued after their effective date (or date of early adoption). There are no new IFRSs or IFRICs that are effective for the first time for this interim period that had a material impact on the Group, except if disclosed above in Note 2.

Note 9: Contingencies, accounting estimates and adjusting events

The Group has a pending file that can be qualified as a contingent liability according to the definition of IFRS.

A subsidiary of Element Six Abrasives received notice of a local tax assessment for USD 29 million. Haven taken expert advice, its management has submitted an appeal contesting the assessment and recognised this as a contingent liability. Umicore retains a 40.22 % interest in Element Six Abrasives and accounts for the company using the equity method.

Note 10: Subsequent event

On 3 July 2019, a fire occurred at the Hoboken plant and destroyed the conveyor belt that feeds the smelter. The belt and its casing had to be replaced and while the smelter furnace and other critical production installations were intact, the smelter was shut down during the repair works and resumed normal operations at the end of July. It is estimated that the financial impact of the fire incident on Umicore's 2019 REBIT will be slightly below € 10 million.

Forward looking statements

This document contains forward-looking information that involves risks and uncertainties, including statements about Umicore's plans, objectives, expectations and intentions. Readers are cautioned that forward-looking statements include known and unknown risks and are subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Umicore. Should one or more of these risks, uncertainties or contingencies materialize, or should any underlying assumptions prove incorrect, actual results could vary materially from those anticipated, expected, estimated or projected. As a result, neither Umicore nor any other person assumes any responsibility for the accuracy of these forward-looking statements.

Glossary

For a glossary of used financial and technical terms please refer to:
http://www.umicore.com/en/investors/financial-data/glossary/

For more information

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Financial calendar

23 August 2019	Ex-interim dividend trading date
26 August 2019	Record date for the interim dividend
27 August 2019	Payment date for the interim dividend
7 February 2020	Full Year Results 2019
30 April 2020	Annual General Meeting

Umicore profile

Umicore is a global materials technology and recycling group. It focuses on application areas where its expertise in materials science, chemistry and metallurgy makes a real difference. Its activities are organised in three business groups: Catalysis, Energy & Surface Technologies and Recycling. Each business group 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 mobility materials 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.

Umicore's industrial and commercial operations as well as R&D activities are located across the world to best serve its global customer base. The Group generated revenues (excluding metal) of € 1.6 billion (turnover of € 7.6 billion) in the first half of 2019 and currently employs 10,700 people.

A conference call and audio webcast for investors and analysts will take place today at 9:30 CEST in Brussels. Please visit: http://umicore.com/hyr2019

A conference call and audio webcast for media will take place today at 11:30 CEST in Brussels. Please visit: http://umicore.com/hyr2019_media

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