

Umicore Q1 Update

April 29, 2021

Corporate Speakers:

- Marc Grynberg; Umicore SA; CEO & Member of Management Board
- Filip Platteeuw; Umicore SA; CFO & Member of Management Board

Participants:

- Alexander Stewart; Barclays Bank PLC; Chemicals Analyst
- Geoffrey Haire; UBS Investment Bank; MD and Equity Research Analyst
- Charles Bentley; Credit Suisse AG; Research Analyst
- Charles Webb; Morgan Stanley; Equity Analyst
- Georgina Iwamoto; Goldman Sachs Group, Inc.; Associate
- Chetan Udeshi; JPMorgan Chase & Co; Research Analyst
- Adam Collins; Liberum Capital Limited; Analyst
- Mubasher Chaudhry; Citigroup Inc. Exchange Research; Research Analyst
- Ranulf Orr; Redburn (Europe) Limited; Research Analyst
- Wim Hoste; KBC Securities NV; Executive Director Research

PRESENTATION

Operator: Good day, and thank you for standing by. Welcome to the Umicore first quarter business update Conference Call. (Operator Instructions) Please be advised that today's call is being recorded. (Operator Instructions)

I would now like to hand the conference over to your speaker today, Marc Grynberg. Please go ahead.

Marc Grynberg: Thank you. Good morning everyone and welcome to today's call.

Last week, I briefly described the very positive dynamics which are driving our business performance and the big news, obviously, was the quantified earnings guidance we provided for the full year. Today, I will address these favorable business trends and add some clarification where needed. I will also share with you some updates which will be presented as part of today's AGM agenda. And after my presentation, I will open the floor to your questions.

Without repeating word for word the messages I conveyed last week, I believe it is worthwhile to confirm that the market dynamics which have developed since the end of last year remain very supportive today. With the month of April almost behind us by now, I can tell you with enough assurance that my comments regarding business trends in the first quarter can be extended to the month of April.

Considering Umicore's focus on clean mobility, one of the key trend indicators to watch is car build rates and we see that car production continues to recover from the downturn

caused by the Covid outbreak last year. Against this backdrop, Umicore's automotive catalyst business continues to substantially outgrow the market, owing primarily to market share gains and a favorable platform mix. We also continue to benefit from the shift away from diesel in Europe, as I told you a few years ago that we would.

In HDD we are also outgrowing the market and this is partly due to the very strong demand we currently have for our China V catalyst technologies, ahead of the nationwide introduction of China VI norms later this year, as well as preorders for China VI technologies.

We also see growing demand for our homogeneous catalysts used in advanced chemical or life science applications as well as for our fuel cell catalysts.

The demand for EV batteries is also growing, driven by a strong traction in Europe and some recovery in China. Clearly, Europe has made the turn following the introduction of tighter CO2 limits and, based on the current trends, Europe will likely overtake China as largest market in terms of GWh this year. This is somewhat in contrast with the projections that we and most market participants made in 2018 and which had not anticipated the downturn in China in 2019 and 2020. The strong traction that we observe in Europe today is good news for us as this trend is beneficial to our sales mix given our strong position in Europe.

As we mentioned in early February and confirmed last week, Umicore sees substantial growth in sales volumes of cathode materials this year. The revenue growth will also translate in substantial growth in adjusted EBIT despite headwinds from additional costs and continued price pressure in China where there is still overcapacity. The business group is also benefiting from a strong performance in Cobalt & Specialty Materials and Metal Deposition Solutions.

Following last week's call, I noticed that some misinterpretation subsisted regarding the impact of cobalt price on the business group's performance, so let me clarify the subject. While cobalt price is currently well above the levels of last year, the pricing of cobalt-containing raw materials which we refine, has increased even more and, on balance, the overall impact is negative for Umicore.

In Recycling, we are also off to a very strong start as a result of volume growth across units and regions, combined with an excellent supply mix and historically high prices for certain precious metals. Adding to the comments I made last week, I would like to point out that all our recycling facilities do benefit from this combination of positive factors, be it in Belgium, Germany, Austria, Brazil, US, Canada and Thailand, and all of them contribute to the earnings growth. Also worth repeating that in times of high precious metal prices and high volatility, our precious metals trading operations generate a higher or even much higher earnings contribution than on average over the cycle.

As we communicated last week, Umicore is set for an outstanding performance in 2021, with adjusted EBIT expected to approach 1 billion euro, based on the performance to-date and the visibility we currently have on demand and activity levels in the coming months. This guidance assumes that precious metal prices stay more or less at the same levels as in the first quarter and that demand patterns in the automotive industry or the macro environment do not materially degrade in the coming months.

The guidance reflects strong growth in each of the 3 business groups. In Catalysis, I expect adjusted EBIT to more than double from last year's level of 154 million euro. In Energy & Surface Technologies, adjusted EBIT is expected to grow substantially from the level of 75 million euro achieved in 2020 and is now expected to slightly exceed the guidance of 115 million euro which we provided back in February. In Recycling, I expect very significant growth in adjusted EBIT from the record level of 362 million euro reached in 2020. It is worthwhile to remind you that the majority of the exceptional precious metal price impact vs 2020 will benefit the Recycling business group. Obviously, there are quite some uncertainties about numerous parameters such as the evolution of the pandemic, the state of the economy or metal prices, to name just a few, and we will of course keep you informed about key developments.

The good news in the first part of this year is not limited to our financial performance. I trust that you have witnessed that the structural trends which support Umicore's strategy in clean mobility materials and recycling continue to get stronger. In particular, we have seen several positive developments on the regulatory front which are meant to boost car electrification and promote the hydrogen economy.

These include the green deal and the green recovery plan in Europe, the new NEV mandate and a new policy to promote fuel cell vehicles in China and, more recently, President Biden's infrastructure plan which includes an envelope of 174 billion dollar to push vehicle electrification in the US. In addition, recent automotive OEM announcements leave no doubt that electrification will accelerate between now and 2030.

Against this highly supportive backdrop, we are maintaining the strategic course of action and are actively preparing for the next phase of growth. As an example of such preparation, I would like to highlight our investments in cathode material production in Europe. As you know, we will soon commission our greenfield industrial-scale cathode materials plant in Nysa, Poland, and expect to start production towards the end of this year.

As we see rapidly increasing demand from existing and new customers in Europe, we have started to prepare for a continuous expansion of production capacity in Nysa. In practice for the near term, this means that shortly after the startup of the plant this year, we will start construction work for additional lines. I expect that the new lines will come on stream in the course of 2023 and will benefit to a very large extent from the already existing site infrastructure.

You will recall that in 2019, we decided to postpone certain expansion investments in China following the unexpected downturn of the Chinese EV market. As a result of the postponement, part of the investment envelope of 660 million euro which was announced in 2018 has not been utilized and will now be deployed in Europe which is soon to become the largest EV battery market. This goes to show that we have the ability and agility to adjust to changing market dynamics.

We also see the hydrogen economy as a major growth avenue and Umicore is uniquely positioned for the near term growth opportunity in fuel cell vehicles through our fuel cell

catalyst business and close collaboration with major players. We have business with a broad range of customers along the value chain, including car and truck OEMs which are vertically integrated and select the best catalyst for their fuel cells. At the same time, we are preparing for longer term developments in green hydrogen. I hope that you had a chance to connect to our hydrogen call last Monday where these near and long term opportunities were presented in more depth. You may recall from previous discussions that I am a strong believer in hydrogen fuel cells as one of the clean solutions for long-haul transport and I am encouraged to see technology adoption making faster progress and infrastructure investment move higher on the agenda.

Let me now turn to an update regarding our program to further improve the environmental performance of the Hoboken recycling facility. We are making investments amounting to some 25 million euro per annum, year in year out, in order to improve the environmental performance of the plant. We have recently completed an investment to encapsulate the lead refinery and we are building covered storage for raw materials. In addition, we are now also introducing smart logistics which take into account wind speed and direction when handling raw materials in order to minimize the risk of dust formation. These are some examples of the many initiatives we are taking in order to reduce dust emissions and such investments will continue to be carried out with the highest priority.

Alongside the investments we are making to improve the site's performance, we announced last year that we would offer to buy the houses which are closest to the plant with the purpose to transform the area in a green zone. This would increase the distance between the plant and the residents and reduce the exposure to lead for children.

We are making good progress with the purchase program and have by now already reached an agreement to buy close to 100 houses. This picture is an artist rendering of the green zone we intend to create upon completion of the house purchase program. A green zone will also be created on our own premises.

I am convinced that the combination of the investment program on site and the creation of the green zone will provide the right conditions for the local community and industry to co-exist sustainably.

Before handing over the call for your questions, I would like to draw your attention to our upcoming ESG day: on June 2nd, we will extensively communicate about our new set of ESG ambitions which I would dare to describe as distinctively bold.

And with this, I would now like to open the floor to your questions.

QUESTIONS AND ANSWERS

Operator: (Operator Instructions) The first question comes from the line of Alex Stewart from Barclays.

Alexander Stewart: I've been trying to figure out from the Investor Relations team, how big the capacity addition might be in Poland and roughly how much you might be spending on it. And I'm frequently told that you as a company, don't want to give out any information at all about capacity allocation or size or split between regions. Could you tell us whether that's something that you will always uphold because your competitors give very detailed information about which plants they're building, how much, in what country and Umicore gives practically no information? So I'd be interested to know whether that's something that we will ever get inside into because it does help us a lot understand the different parts of the business.

Marc Grynberg: No, indeed, I don't want to give these figures away because they are sensitive from a competitive and commercial point of view because we are serving quite a number of existing customers and are in qualification with new customers as well. And I think it's important for us to remain quite neutral in that respect and quite discreet in that respect. And the difference with our competitors, which I appreciate and that you are pointing out, is also that we are in business today with these customers.

And so we have real capacity on the ground. We are serving customers, and I find it quite sensitive to disclose these figures. It's not about announcement effects. We don't need to make announcement effects. We are in business. So no, I will not change the views, and I will continue to stay discreet about it for the reasons I've just mentioned.

Operator: The next question comes from the line of Geoff Haire from UBS.

Geoff Haire: Can I just ask -- obviously, you said that the new lines in Poland will be inside the envelope of CapEx of € 660 million. Obviously, we don't know how much of that's already spent. I was wondering if you could give us an update on that. And also, I just wanted to check on the auto production side. I mean we had Ford announcing last night that they would lose 50% of auto production in the second quarter. Are you not seeing any impact at all in orders from the OEMs because of the chip shortages and the impact that's having on production?

Marc Grynberg: Let me start with the second question. I cannot say that we see no impact. The impact has to be seen as opportunity losses in the sense that by and large, our customers could produce more cars than they do today if they had more chips available. And so it is not a loss for us because we have substantial growth, and many of our facilities are operating at a very high degrees of utilization already. But the market, indeed, could grow even more than it does this year if we didn't have this -- if the industry didn't -- was not facing this shortage.

So not an issue for us because we are growing a lot despite that. And indeed, it is fair to say that the growth would be even more pronounced if our customers were not facing this shortage. When making the -- when -- sorry, when communicating the guidance last week for the full year, we had, of course, to make some assumptions about car build

rates. And we have factored in some impact, in term -- again, opportunity losses in terms of the car production rate. And we use, I mean, publicly available market data and market projections in that respect. So this is factored in our projections, indeed.

On the CapEx envelope, coming to your previous question, I can say that we have already spent a large majority of the envelope. And that it's important to mention that the CapEx density of this new phase which will bring new lines online in 2023, is lower than the CapEx density of the previous phases because in the previous phase, you had the site infrastructure, which had to be built, while in this case, we will be adding buildings and production lines and using the existing infrastructure and utilities. So it's -- in a way that's the main reason why it will be a minor portion of that envelope that will be utilized to achieve this first expansion phase.

I think the important news about -- the important aspect of the news behind this is that there is strong traction in Europe. Europe has made the turn in terms of electrification. The trend is there to stay. The acceleration is there, is visible. And Umicore is well prepared to take advantage of this growth and the acceleration. I mentioned a couple of years ago that we had reserved quite a large piece of land in Poland to accommodate brownfield expansions. And it is good news to see that we can already figure this further investment phase. And you should expect a continuous investment program now in Poland in order to cater for the very significant growth that we see coming up in Europe.

Geoffrey Haire: Could I possibly just ask 2 follow-up questions. I know you won't tell us exactly what the CapEx per tonne is. But I was wondering if you could give us some estimate of how much lower the CapEx per tonne is than the initial investment in Europe? And also of the infrastructure you've built in Poland, how much capacity in gigawatts can that take before you have to add to that infrastructure?

Marc Grynberg: Yes. I'm not going to give you a figure regarding the second question, but I can say that we have a few years of infrastructure available before we need to expand the infrastructure. So let's count 2 or 3 years of infrastructure -- of expansion room using the current infrastructure before we have to add somewhat to the existing infrastructure. The CapEx density is not really comparable. And so it's -- I would prefer to abstain from giving figures because a brownfield is by definition way cheaper per tonne -- per metric tonne than a greenfield. But the scope is definitely not comparable because in a way -- and that's why I mentioned in my introductory remarks that we will benefit from the existing infrastructure with the new lines, which will come on stream in 2023. So the comparison is, I think, not totally fair. And I would prefer to abstain.

Operator: The next question comes from the line of Charles Bentley from Credit Suisse.

Charles Bentley: So I just have a couple. When you finish this kind of second expansion in Europe, can you indicate where you'll be versus the 100-gigawatt hour target by 2023? I know that no longer applies, but kind of some indication would be really helpful. And then if I can kind of ask something I kind of discussed before is what the return on capital

is for the China plant? And is there any consideration of potentially impairing the plant as you're effectively stopping investment? And then finally, kind of what the book value of that plant is today?

Marc Grynberg: I'm afraid I didn't get the second question. The line is not so good. Can you repeat only the second question, please?

Charles Bentley: Yes, for sure. So what the return on capital for the China plant is? How much -- what the book value of the China plant is? And is there any consideration of impairing it as you're effectively stopping investment in?

Marc Grynberg: Okay. No, there is absolutely no need to impair the value of the China plant. There is no reason for that. I mean, the business is ramping up well. And as I mentioned in my remarks and as we mentioned also in the press release, the market has started to pick up, and demand for our products is also recovering there. So the cash flow projections are definitely supporting the carrying value of the greenfield assets in China. Absolutely no need for impairments.

And I think it was important to remind everybody that actually, we decided to stop the expansion back in 2019. And this, I think, was, with hindsight, was a good decision. And I recall that I was asked at the time whether we could swiftly push on the button to bring these investments back on stream if the market would recover. And actually, the communication today about the investments in Poland goes to show that this is exactly what we are doing, although there is a bit of a geographical swap between the lines that were initially envisaged for China and the expansion going into Europe.

And it shows that we are adjusting quite swiftly to the changing market dynamics as Europe is overtaking China this year as the largest EV market. And nobody thought 2 years ago that this would ever happen. So no need -- to cut a long story short, sorry, no need for any impairment.

Regarding the reference to the 100-gigawatt hours, I would prefer to leave that question to when we communicate at half year about our results. Today, the purpose is mainly to discuss trends -- business trends and not detailed figures. Clearly, we're moving in that direction, taking into account the unexpected slowdown that we had in China -- we in the market had in China in 2019, 2020. But I wouldn't want at this stage to go into a more quantified updates.

Operator: The next question comes from the line of Charlie Webb from Morgan Stanley.

Charlie Webb: Just 1 from me, perhaps slightly bigger picture. We obviously talk about the kind of further investment in Europe here. But what about the U.S.? Clearly, the regulatory backdrop, the new President, perhaps the market opportunity looks somewhat better. So just trying to get a sense on how Umicore sees that opportunity, whether there's an investment to come to be present with cathode material in the country? And just

remind us, to the world, the litigation process you had with Argonne National Laboratory, does that change anything as it relates to building capacity in the U.S. for you as you think about the returns of such an investment? Or is that not relevant?

Marc Grynberg: We have no litigation with Argonne. And so that cannot influence any of our decisions or positioning in the U.S. market. And actually, we do have all the necessary IP rights, licenses and freedom to operate in every region across the technology portfolio. So that's definitely a competitive advantage that we have with our broad IP portfolio and not an obstacle to doing business in the region or expanding in a region.

It's actually interesting that you are raising the point about the U.S. because I was talking about changing market dynamics and projections that were made 2 years ago. And 2 years ago, we didn't think and I think most market participants didn't think that the U.S. would now engage in a catch-up movement to push electrification -- vehicle electrification in the country. And that is indeed changing some of the market dynamics is definitely part of the big acceleration, the big inflection that I see ahead of us for the battery industry and the entire value chain. And indeed, will need -- will require us to figure out to address the U.S. market.

Now the good news is that we have the ability, as I illustrated with the example of redeploying CapEx from one region to the other, we have the ability to act swiftly. And the fact that we have production presence in Korea and we'll have production presence in Europe, will give us also quite a bit of options to get started serving the U.S. market through existing trade agreements and free trade agreements, in particular. While we do that, and you may recall that this is the approach that we use for Europe. So we gained business in Europe. We were awarded business in Europe and started to serve Europe out of our Korean facility, while the plant in Europe was under construction. And we may use a similar avenue to start addressing the emerging needs of the U.S. market before having to make an investment decision.

Now at the pace at which things are changing in America, I think that there isn't going to be a very long wait before the value chain, the industry will have to figure out where to invest in the region.

Operator: The next question comes from the line of Georgina from Goldman Sachs.

Georgina Iwamoto: I was wondering if you could comment on the kind of returns expectations for the European plant, maybe even just on a qualitative level versus China and Korea, given it looks like you're expected to be kind of fully utilized there. Would you be meeting your group targets or any potential to exceed them? And then just picking up on your kind of comments around lots of new customers. Do you think we'll be in a position to hear a bit more about new supply contracts from Umicore in the near future?

Marc Grynberg: Sorry, the second question was about?

Georgina Iwamoto: You've been mentioning new customers for your European plant. And at various times over the last few years, we've had announcements about longer-term supply contracts. I was just wondering if these are the types of customers where you think you might be in a position to make those kind of announcements again?

Marc Grynberg: Okay. So let me start with the return profile, indeed, with some qualitative comments. I do expect a somewhat better or much better return profile in Europe than in China for 2 reasons compared to the situation we see today in China. One is because our capacity in China, as I mentioned a while ago, continues to be somewhat underutilized. I mean, the utilization rate is improving as the market recovers and demand for our products picks up. But there is still overcapacity in the industry, and we're still not going to be utilizing the full capacity at any point this year in China. So that's the first factor.

And secondly, the industry overcapacity in China leads to price pressure, which is very specific to that market. And these are factors, I do not expect to see in Europe. So indeed, I expect a better return profile. And especially after the new lines come on stream in 2023 because there, we will start to have more scale effects, synergy effects that I alluded to when I was talking about the fact that the new lines would largely utilize the existing infrastructure. So indeed, the returns are set to improve and I'm quite positive about the perspective there.

Coming then to the question about supply. Clearly, we will have to continue to align our supply sources with the demand we see for our materials globally and regionally in a way, and that is going to be a challenge for the industry to have the entire supply chain ramp-up in a synchronized manner. And I believe that we are well positioned to continue to conclude the kind of contracts that we need to secure our raw materials supply, the right shape and form.

But clearly, these are also discussions that we're having with our customers and our customers' customers because, as you know, from past discussions, some of them are directly involved in trying to secure their own raw materials and confine them to some of the cathode material producers. So these are complicated configurations. But clearly, yes, there will be a need for more of these long-term supply agreements.

Operator: The next question comes from the line of Chetan Udeshi from JPMorgan.

Chetan Udeshi: Just a couple of questions from my side. Number one, Marc, can you help us with some sense of where Umicore is in terms of commercial shipments of high nickel because it seems a few OEMs have already started launching NMC 811. And I was just wondering if you can update us on where Umicore is in terms of commercial shipments of NMC 811 cathodes?

And the second question: today there is no cathode production in Europe. You guys will start in second half, and then there will be more plants coming up over the next few years. Do you see a change eventually happening in Europe over the next 3, 4 years

where as the local capacity grows? Do we see something like China in terms of environment? Or do you feel Europe will be a bit more protected from that point of view?

Marc Grynberg: I wouldn't talk about production, but what I see developing in Europe today, based on existing projects under construction and announcements. And I would I would not talk about announcements beyond 2025 because these are still very conceptual or aspirational. But if I look at the capacity under construction in the value chain and announcements, I would say, reaching out to 2025, there is more capacity being built or being announced in battery cell making than in cathode materials production.

So this is something that the industry will need to address, indeed, because it's not the intention of the OEMs to produce and sell EVs in Europe to increase the dependency on imports. So I expect the landscape in that respect to be quite different than what we have seen in China over the past several years.

Yes. And then coming to your first question about the different grades. Yes, we do produce and sell commercial quantities of very different grades from low to high nickel. Indeed, this is one of the specificities of Umicore, that we are present across a broad range of chemistries and product grades. And I would like also to remind you in that respect that the majority of what we produce and sell is customized to the very specific need of given customers or given platforms for these customers.

And then if I may, I realized that I missed a part of the other question of Georgina a moment ago. So I would like to come back to that and indeed confirm that we are in qualification with a number of potential new customers, and that, indeed, this may lead at some point in time to announcements about close collaboration, long-term supply agreements, strategic partnerships, whatever. So there will be more of that to expect indeed in the course of the next 12 to 18 months, I would say. And I'm quite happy with the progress we're making with customers. And the fact, clearly, that there is an inflection in the EV market is definitely supporting our efforts in that direction.

Operator: The next question comes from the line of Adam Collins from Liberum.

Adam Collins: I had 3 questions. So first of all, could you remind us on the renewable energy sourcing arrangements for the Polish plant? Secondly, just a follow-on from Chetan's question about the competitive landscape in Europe. Are you aware of any Asian cathode producers, which are putting down investments at this stage? And then just finally, in terms of business development, it's been a while since we've heard you talk about your recycling plants of batteries. To what extent are the European customers you're engaging on now for original supply, interested in having discussions about future battery recycling arrangements?

Marc Grynberg: First of all, I'm happy to confirm that the plant in Poland, Nysa will work entirely on renewable electricity and that we have by now secured the necessary supply of renewable electricity for the start-up of the plant. And it's mainly coming from

wind and to a limited extent, hydro. Hydro is not predominant in Poland. There is a little bit of it. And clearly, wind is the main source of renewables that we are will be buying in Poland for the plant. And the expansion and the ramp-up and the future expansions will be working on renewable electricity entirely as well. So that's important because while it is not today a formal qualification criteria for business, it is becoming more and more important, more and more critical to qualify for business in Europe. And it is critical because the CO2 footprint of cathode materials is a significant material proportion of the CO2 footprint of the EV. And by moving to 100% renewable, we're definitely helping the car OEMs to improve materially the CO2 footprint of the cars.

So that's what I can say today about renewables. But I would also like to use this occasion to remind everyone on the line that on June 2, we will disclose our new set of ambitions in terms of sustainability. And obviously, the decarbonization road map will be part of that. So hold your breath for a few more weeks.

In terms of the competitive landscape in Europe, while you know some European players' projects come up or are announced in the region, there have been some intentions announced by Asian players, maybe 1 or 2 Korean players, but we don't see anything happening on the ground in terms of construction projects, permitting processes, et cetera. So I'm not saying that this will not happen. I'm just saying that by the time it would happen, we will have a significant head start with our production facility or capacity or capabilities in the region.

And the incentive for Korean and Japanese producers to invest in Europe is somewhat limited today because they can utilize the free trade agreements between their country and European Union to import into Europe without any duty. So the incentive for them to operate remotely is not great. I mean this is not what they prefer to do. But again, I cannot exclude that at some point in time, this might happen.

But possibly, once Europe will have tightened the screw in terms of rules of origin, which are somewhat tighter in the U.S. Within Europe, the rules of origin to determine which proportion of the car needs to be made in Europe is somewhat tolerant today. And a transition period has been built in the regulation by the European Commission. So it will take a few more years before tighter rules of origin dictate more investments in the region from non-European players. And we will utilize this period of time, this transition time to increase the lead and increase the gap that we have on the ground in Europe with the potential other players.

Battery recycling is definitely moving higher on the agenda in Europe for European car OEMs. And to bring some nuance to that statement, I would say that recycled content is definitely higher on the agenda because this is what matters the most to car OEMs and definitely whether it's recycled content or recycling itself, this is now becoming full part of the technical and commercial discussions that we are having with our customers and our customers' customers. And we'll continue to grow in importance. As you know, we still have a bit of time ahead of us despite how it went to scale up our capabilities in the

region. But this is definitely moving higher on the agenda as part of our regular discussions with customers and the customers of our customers.

Operator: Dear participants, at this stage, we will take the remaining 2 questions. The next question comes from line of Mubasher Chaudhry from Citi.

Mubasher Chaudhry: Just the one on the fact that most of the investment in Europe is going into the cell manufacturers as opposed to the cathode material. Do you expect some exports coming from China in the form of cells rather than cathode materials? Because I think historically, you've talked about high export duties for cathode material to be when you're trying to take out cathode material from China. So could that be produced into cells and then exported? And is that a possibility? And do you have any insight into kind of the rationale for some of the downstream guys or the cell manufacturers building capacity in Europe without a plant for where they source their cathode material from. So I'm just trying to understand the kind of landscape going forward, given that some of these guys are investing quite a lot of sums. So I just wanted to get your thoughts around that, please?

Marc Grynberg: No. We don't see exports. And I know there's been a debate about that, a long-standing debate. We don't see exports from China today. And we don't see exports of cathode materials being competitive possibly in Europe in the future. And with the announced tightening of the rules of origin that I mentioned a moment ago, the tightening of the footprint considerations regarding the CO2 footprint of the materials, et cetera, it will become increasingly difficult for Chinese-produced material to be competitively imported into the region. So we don't see them being imported today. And I don't think that the chances are increasing in the future for the 2 reasons I've just mentioned. And again, please allow me to repeat that one of the key drivers of the European efforts, whether it's by European OEMs or by the European Union, one of the key drivers is to reduce dependence of European industry or European products on imports from other regions. And so no, I do not expect that to be a major factor. It's not a major factor today, and I do not expect that to become a major factor in the foreseeable future.

And then the second part of your question, yes, there is a bit of a mismatch today between the capacity and the construction of the announced capacity for battery or battery cells and the supply chain. And this is currently being addressed in discussions between the supply chain and our customers and the customers of our customers, indeed. So the good news is that I'm not the only one to figure it out or to have observed it and detected it. The car OEMs are very much aware of that and are working out plans with the rest of the value chain to address that. And I expect, indeed, that to be a significant support to the future growth for us in the region.

Operator: The next question comes from the line of Ranulf Orr from Redburn.

Ranulf Orr: I have 3 I'm afraid. The first one is just on cash. I think Umicore finished the year with just over EUR 1 billion of cash on the balance sheet, well above level. So could you give an idea of how you see that being deployed over the coming 12, 18 months? The second one is just on the regional split in recycling. Can you give an idea of how big Hoboken is and kind of what the profit contribution is from Hoboken to the recycling division as a whole? And then my third one, I'm afraid, is going back to the cobalt price impact. And I was wondering if you could explain the mechanism a little bit better. Clearly, you have cobalt recycling refining that should benefit from a higher price. But I guess you're also buying raw materials for battery materials. But you also produce on yourself with the Kokkola refinery and your precursor JV in China. So where are the higher costs coming in? And where are you benefiting, I suppose?

Marc Grynberg: If you allow me, I will start with the cobalt question. I will take your questions in reverse order, and I will hand over to Filip to talk about cash deployment. Actually, it's the refining operations that are mostly affected by the deteriorating market conditions for cobalt in a way. So these operations are influenced by the cobalt price to a much greater extent by the refining charges. And in a way, when I mentioned last week that the payable content was increasing, it means, in other words, that our refining margins have become much smaller. And so the refining margins are compressed and depressed by the change in market conditions, and that effect is much bigger than the effect that we have from the better metal price itself. So I hope that explanation helps, but that's the point I wanted to make last week and wanted to clarify today.

The regional split or the Hoboken contribution to the earnings, I'm not going to go there because this is commercially-sensitive and competitively-sensitive information. And the message I wanted to convey is that the outstanding performance that we see in recycling and that we expect for the full year, is not only a Hoboken story. We have very strong and outstanding contributions actually from all of our recycling facilities and our precious metals trading operations. So that was the key message. But unfortunately, I'm not at liberty to provide a breakdown for commercial reasons. And with this, I would like to hand over to Filip to talk about cash.

Filip Platteeuw: Yes. I think you're absolutely right to highlight that we ended last year with a high cash position. I mean, we came out of a COVID year, so liquidity was high on the agenda. We had the convertible bonds in June. We had the EIB loan as well in June. We had a very strong recovery in cash flow in the second half, which led to indeed, a substantially higher than normalized cash position. So for this year, we're working on that to reduce that. And in terms of allocation as we mentioned, we have, obviously, the CapEx projects, and we have the increase in the working capital that will come from the high metal prices, which we expect, again, mostly in Catalysis. So definitely, cash position should be reduced compared to the end of last year.

Operator: Now we will take the last remaining question from Wim Hoste from KBC Securities.

Wim Hoste: One remaining question for me, please. On Catalysis, on HDD, your business has been supported recently by the good business of China 5 technology. Can you maybe help us understand how we should look into the shift towards China 6? What's your share of the market on China 6? How fast do you expect it to ramp up? Will there be any inventory buildup? I know that's mostly just-in-time business. But can you maybe clarify a little bit on how we should see the momentum for HDD in the context of China 6?

Marc Grynberg: So you're right in saying that China 5 is a significant driver in our very strong performance for now. What we currently see in China is that because of the introduction in the middle of this year of China 6 norms for HDD, we see a massive buying of China 5 trucks just until the last minute taking place as long as this is possible. And this is indeed creating quite a lot of demand for our technologies. At the same time, we have started to receive preorders for China 6. So the business is starting up well, and I expect a fairly smooth ramp up. However, I cannot exclude that there will be a little bit of a slowdown in truck demand overall after the window for China 5 closes because a lot of trucks will have been purchased, and it may take a little bit of time for the market to pick up again and to fully recover to normalized levels than on China 6.

We have a strong position on China 6, too. And so I think this bodes well for us because the value per truck is materially higher than with China 5 technologies. So you will recall that we presented this in the past as one of the growth pillars of our business. And I have no indication today that this will not happen. I'm just saying that it's somewhat difficult to say exactly how the market will behave on the short-term once the window for China 5 closes.

Operator: Dear participants, thank you very much for all your questions. I would like now to hand the conference over to the speaker for the closing remarks.

Marc Grynberg: Thank you. And with this, I would like to thank you all for participating in the call this morning where we had the chance to share some information, which is also on the AGM's agenda for today. And I would also, again, encourage you to block the date of June 2, which will be our next touch point and where we will have a chance to extensively explain and describe our next level of ambition in terms of sustainability objectives. So please block the date in your agenda, and I look forward to speaking with you on that occasion. In the meantime, wish you a nice day, and thank you for joining the call this morning. Bye for now.

Operator: This concludes today's conference call. Thank you for participating. You may all disconnect. Have a nice day.