# Half-year Results 2023 Conference Call

Friday, 28th July 2023

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**Operator:** Thank you for standing by. My name is Deb, and I will be your conference operator today. At this time, I would like to welcome everyone to the Umicore Half-year Results 2023 Conference Call. All lines have been placed on mute to prevent any background noise. After the speaker's remarks, there will be a question-and-answer session. If you would like to ask a question during this time, simply press star followed by the number one on your telephone keypad. If you would like to withdraw your question, press star one again. Thank you. I would now like to turn the call over to Mathias Miedreich, CEO, joined by Wannes Peferoen, CFO. Please go ahead.

**Mathias Miedreich (Umicore):** Thank you very much. And a very welcome and good morning to everybody. So close in front of August, and probably holiday seasons for some of us. I'm welcoming you to the presentation of our results for the first half of 2023. And I'm here today as has been said already, with our CFO Wannes Peferoen, who will give us the details of the financials while I will go over through the general presentation of the business. And with that, before going into Q&A, we will walk you through this presentation, as we said, focusing on the highlights of the first half of 2023, the business and financial review, and of course the outlook for the rest of the year. And then as usual, we go into Q&A.

So first, let's talk about the highlights. Our margins continue to be strong in the first half of 2023, despite a less favourable precious metal price environment, low macroeconomic growth, and still impact of cost inflation. The group revenues for the first six months amounted to €2.1 billion in line with the levels achieved in the first half of '21 and '22, demonstrating business resilience in the context of challenging market conditions. The Groups' adjusted EBITDA margin amounted to 25.1%, well in line with our 2030 RISE, and this is where I remind you, we have said we will consistently be over 20%.

And our balance sheet continues to remain strong with the leverage ratio of 1.3 last 12 months EBITDA. I'll come back to the performance of the business groups a little bit later in the presentation in more detail, but already a brief summary. Catalysis delivered another outstanding performance as we had planned, recording revenues and earnings above the levels of the first half of 2022. E&ST, Energy & Surface Technologies did as well develop as anticipated. And with that, is on track for the significant growth of RBM. And Recycling posted a strong operational performance in the context of declining PGM prices.

It is now one year since we have introduced our 2030 RISE Strategy, and we continue to make progress on different fronts also in H1 of this year. Let us start with growth. We continue to have traction in closing value creative contracts for RB, as well as gaining further market share in Catalysis. And coming closer now to 2024, we fully confirm the significant volume ramp up that RBM will see, and that we are well-prepared to master. In addition, we have confirmed as we think, our position as technology leader. One example is our new solid-state battery material prototyping centre, that is one of its kind, and will give a significant advantages in development speed and time to market for solid-state battery technologies. And other examples are the strongly increased customer engagements on our HLM technology, with now 12 projects in A and B sample phase, confirming our own conviction on this technology as well as the gaining market conviction on HLM.

And then finally, in terms of governance, we will align our organisation and reporting structure even better to our growth path, and I will come to that in more details in a minute. We have completed the Management Board with the chief technology officer and EVP, people and organisation. And at the level of the supervisory board, we have created two committees, the investment and sustainability committee. So since the introduction of our 2030 RISE Strategy in June of last year. We have continuously strengthened our governance and organisation to support our growth plans towards 2030 in the best way. And we are continuing to do so by creating two new positions in our Management Board, reflecting the importance of people, talent, technology and R&D for Umicore. And for this, we have appointed first of all, Ana Fonseca Nordang, to take the role of executive vice president, People & Organisation from September 1st.

Ana brings over 20 years of international experience in various executive human resources role, spending a large part of her career at Equinor. And Ana will continue to ensure together with us the other Management Board members, that the people strategy is kept at the heart of Umicore's thinking and planning going forward. As already announced in May, Geert Olbrechts will join the Management Board as of August 1st, and become EVP and chief technology officer of the Group. Geert began his career at Umicore already in 2000, and currently serves as SVP Research & Technology and Supply at our Automotive Catalyst business unit. And in his new function, he will drive technology and innovation together with the other stakeholders of the Group.

In addition to the completion of the Management Board, we will also implement an enhanced organisational structure as consequence and in support of the significant growth ahead, especially in Rechargeable Battery Materials. So what we know as RBM today, will be organised and individually reported as a new business group, Battery Materials led by Ralph Kiessling who is currently the EVP, Energy & Surface Technologies. And this setup will provide the needed focus and structure as we think to support the anticipated strong growth of the battery materials business and will provide... And that's also important additional transparency and insights into the business group's performance going forward.

The business units, Cobalt & Specialty Materials, Electro-Optic Materials and Metal Deposition Solutions. Now part of E&ST, Energy & Surface Technologies, will be grouped in a new business group under the leadership of Geert Olbrechts as responsible EVP. And the external reporting according to this new organisational structure, will be implemented as from the fiscal year 2024, meaning as from next year.

Let's now turn to the business review, and go more detail on the underlying trends of the markets of our different business groups, starting with Catalysis.

The first half, when we look at the automotive markets first, the first half of '23 saw an upward trend in global ICE, internal combustion engine car production in comparison to a weaker first half of 2022, enabled by recovery of the global automotive supply chains and unlocking basically the production capabilities of the OEMs. Scheduling and diesel light-duty production was in particular, well up in Europe, North and South America and India, while China production volumes remained broadly flat versus the previous year. The HDV segment recorded also a significant increase in production driven by strong growth in the Chinese as well as the European markets in this regard.

In front of this backdrop, Catalysis posted, again, an outstanding performance in H1 of this year, with increased revenues and margins enabled to continued work on operational efficiency, as well as by the increased volumes in the automotive market as we have just covered. In Automotive Catalysts, sales and volumes are up versus the previous year. The business unit was especially strong in the European market, outperforming passenger car as well as in the HD, heavy-duty diesel segment. And with that, increasing market shares further in the region. Precious Metal Catalyst, PMC performance was in line with last year with H1 '22; while the business unit, Fuel Cell & Stationary Catalysts had very good traction in securing business for PEM-Electrolyzer Catalysts, now already representing about 10% of the total revenues in the fuel cell and hydrogen segments of Umicore.

Now moving to Energy & Surface Technologies. In Rechargeable Battery Materials, revenues and earnings are in line with previous year, despite an increased spending on growth preparation and R&D, still including a remaining positive effect from lithium. RBM is continuing to progress in the execution of the 2030 RISE Strategy.

The business unit has now several long-term value creative customer partnerships and contracts with car and battery OEMs in place. And as we had communicated previously, we expect that these contracts will now result in a significant volume increase from 2024, actually already starting at the later end of this year. In Cobalt & Specialty Materials, a slowdown in demand as we also had reported before, impacted performance as well as the decline in cobalt and nickel prices compared with an exceptionally strong H1 2022. And finally in Metal Deposition Solutions, revenues were slightly down compared to H1, while revenues in Electro-Optic Materials were up versus H1 2022, reflecting strong customer traction.

So last but not least, let us move to Recycling. First of all, I propose we have a look on the market context, in this case the precious metal price environment. And as we can see on this slide, the first half of this year was marked by a very volatile and also decreasing PGM price environment.

This was particularly the case for rhodium, where the average price in H1 '23 nearly half compared to the average price in the previous year, H1 2022. In this challenging context, the Recycling business group continued to deliver a strong operational performance in the first half of '23. The business group recorded revenues of €536 million in line with the level achieved in the same period of the previous year with a strong performance of precious metals management, and by nature of their business model, benefiting from a volatile metal price environment, compensating lower revenues in the other business units.

A dedicated operational excellence programme has been started in the perimeter of Recycling, in order to further improve competitiveness and to reduce operating cost. And Wannes will give some more flavour on that in this section. And having said that, I will give now the floor to Wannes to comment on the financial aspects of our H1 results.

**Wannes Peferoen (Umicore):** Thank you, Mathias, and good morning everyone. As shared earlier by Mathias, in again challenging market conditions, the Group was able to demonstrate a solid financial performance during the first half of the year. Revenues reached €2.1 billion, which is in line with the same period last year, despite the less supportive precious metal price levels. The revenues in Catalysis increased in line with the market growth. In Energy & Surface Technologies, revenues declined primarily due to the Cobalt & Specialty Materials unit. In

Recycling, revenues remained stable year-over-year, with an exceptionally strong precious metals management unit compensating for the decrease in the other units. The adjusted EBITDA amounted to €519 million in the first half of the year, versus €601 million in the same period last year.

In Catalysis, EBITDA increased thanks to the volume growth across the different regions and segments, and the further increase in operational efficiencies. In Energy & Surface Technologies, the EBITDA declined year-over-year as anticipated. While earnings were stable year-over-year in Rechargeable Battery Materials. Cobalt & Specialty Materials was impacted by less supportive cobalt and nickel prices, and a lower demand due to the destocking in the supply chain.

In the Recycling, the EBITDA was negatively impacted by the combination of both lower PGM price levels and the year-over-year cost inflation. Early this year, we launched a major operational excellence programme in our largest recycling facility in Hoboken, which also started to generate savings and will gradually offset the increase in payroll and energy costs in Belgium. The programme includes the use of automation and digitalization, as well as lean methods to improve the appraisal performance. And initiatives range from automation of the sampling activities, to automation of the loading and unloading of process steps, to the optimization of maintenance and downtime cycles.

Now moving to the adjusted EBITDA margin, the Group reached an adjusted EBITDA margin of 25.1%, which reflects the overall strong performance. Across all business segments, the adjusted EBITDA margin remained well above the RISE 2030 targets of 20%. The ROCE here for the Group amounted to 15.2%, which is well above our cost of capital. The adjusted net profit group share amounted €233 million for the first half of the year, versus €321 million previous year. The decrease in adjusted EBITDA resulted in lower tax charges, while the financial cost somewhat increased. I'll come back later to the cost of financing.

The free operating cash flow generated in the first half of the year amounts to €60 million. So, let's move to the next slide where we can have a deeper look into the cash flow movements from operations. As you can see in the top graph, the operating cash flow after changes in working capital, the dark blue line, remains solid at a level of €409 million.

The net working capital for the Group increased slightly with €26 million. In Catalysis, strict inventory management combined with declining PGM prices, helped to substantially reduce net working capital, even though volumes were up. In Energy & Surface Technologies, net working capital increased somewhat, anticipating the volume ramp up towards the end of the year. At current metal prices, we expect net working capital to remain more or less stable in the second half of the year.

In the bottom graph, you can see the capital expenditures including capitalised development expenses, that increased to €349 million in the first half. Energy & Surface Technologies accounted for more than two-thirds of the Group's CapEx, driven by the expansion of the European footprint in Rechargeable Battery Materials. We anticipate that capital expenditures will increase up to 800 million for the full year, which is aligned with current consensus.

As I mentioned earlier, the free operating cash flow for the Group amounts to €60 million, meaning that the expansion of Rechargeable Battery Materials is entirely supported by the free operating cash flow generated in Catalysis and Recycling.

CapEx discipline continues to be a key focus area in the Group, with the necessary governance and business unit, corporate and board level. New expansion programmes remain conditional upon concluding long-term value creating agreements with our partners, with the necessary margin protection measures. Now, let's have a look at the net financial debt position and the leverage ratio of the Group.

At the end of June, the net financial debt of the Group amounted to €1.4 billion. Considering the leverage ratio of 1.30 times last 12 months adjusted EBITDA, the Group continues to stay well within investment-grade territory, and continues to have a strong balance sheet. In January, the Group has drawn the funds of the sustainability-linked US private placement notes for a total of about €500 million. The average cost of gross debt now amounts to 3.23%, which is 57 basis points up from last year. The cost of debt is expected to remain well under control, given that the average maturity of the Group financial debt is close to five years, and there's no major refinancing needed before '25.

As illustrated in the bridge, net financial debt increased with €287 million versus end of last year. Next to generating a free operating cash flow of €60 million, we financed approximately €350 million related to taxes, dividends, net interest, and also €79 million equity injection into our joint venture with PowerCo. Towards the end of the year, we expect net financial debt to remain roughly in line with the level seen at the end of June.

I would like to conclude the financial review by reminding you that in line with our dividend policy, an interim dividend of €0.25 per share will be paid on August 22nd. And here, I will give the floor back to Mathias, who will share the outlook with you.

**Mathias Miedreich:** Yeah, thank you very much, Wannes. So as you have just said, the outlook and the guidance for 2023. For Catalysis, it's expected to continue to benefit from a strong market position in gathering catalyst applications, and the further gradual recovery of the Chinese heavy-duty diesel market. In this context, adjusted EBITDA in 2023 is expected to be somewhat above the levels of 2022. Revenues and earnings in the second half of the year are however anticipated to reflect the lower PGM price environment as just discussed, versus the first half across the business units.

In E&ST, Rechargeable Battery Materials, 2023 adjusted EBITDA is anticipated to be above the level of previous year. Considering the normalised performance of Cobalt & Specialty Materials in 2023, compared to the exceptional profitability in 2022, adjusted EBITDA of the business group in '23 is anticipated to be somewhat below the levels of 2022. And in Recycling, the performance of the business group is expected to reflect the decline in PGM prices, and a related less supportive supply environment for PGM-rich recyclables. And assuming current metal prices were to prevail and considering the current outstanding strategic metal hedges, it is expected that the 2023 adjusted EBITDA of the business group will be below the level of 2022. However, still well above historical pre-2020 levels.

Revenues and earnings in the second half of the year are also anticipated to be below the levels of the first half. Also reflecting the further recent decline of PGM prices. So all together, summing it up based on the solid performance of the first half of the year, and assuming precious metal prices remain at current levels for the remainder of the year, and all else equal, Umicore expects its adjusted EBITDA for the full year '23 to be in the range of €960 to €1,020 million.

So this was the guidance. And before we go into the Q&A session, I just wanted to wrap up our short presentation. So if you would only remember three things from today's presentation, and it would be the following three points.

First of all, Umicore showed a resilient business performance in H1, despite a difficult market environment. Secondly, for the full year of 2023, as I have just said, the adjusted EBITDA is expected to be in the range of €960 to €1,020 million. And third, we are actively progressing in the execution of the 2030 RISE Strategy, also by aligning our organisation, governance and reporting structure to the expected growth forward.

And with that, we would like to conclude our presentation. And I'm more than happy to receive your questions.

## Questions and Answers

**Operator:** At this time, I would like to remind everyone in order to ask a question, press star then the number one on your telephone keypad. We will pause for just a moment to compile the Q&A roster. Your first question comes from the line of Ranulf Orr from Citi. Please go ahead.

**Ranulf Orr (Citi):** Hi, morning everyone. Thanks for taking questions, three from me. So firstly on RBM, you've confirmed the volume ramp up from growth acceleration for next year, but how should we think about EBITDA? Should that follow that? I think consensus is around 24% growth for E&ST EBITDA next year. Are you kind of comfortable with that level of growth?

Secondly, how should we think about free cash flow in the second half given the continued rapid PGM price declines?

And thirdly, just an update on the Canada plant, please, and where you are with that. Thank you very much.

**Mathias Miedreich:** Yeah, very good. Let me give you the first and the last. And Wannes will talk about the cash flow. So indeed for RBM, we expect volumes to increase. We also expect EBITDA to increase next year, significantly. However, it is expected to be not following in the same way the volume increased, because we're still in the ramp-up phase, and we are investing into further growth. But the answer is, yes, you will see an EBITDA increase next year.

Now on the Canada site, I can confirm that our plan is fully on track. And the plan, I remind all of us, we have said that we will start construction within this year. This is all aligned going forward, and we are negotiating the different contracts on the different fronts on the customer side, but also with the authorities. And we'll come back to you in due time once those are finished. And as you know us from previous contracts, we take a lot of emphasis on quality of contracts, and of value creation. So that's why we take the time that is needed to do that. But I can confirm we are on track for what we had said before, in terms of timing and start of the activities.

And then third question to Wannes, in terms of cash flows.

**Wannes Peferoen:** So, in terms of cash flows, first of all, if you look at Catalysis, looking at the PGM price level, which is under pressure, this is as you can expect, also by creating pressure on the EBITDA. At the same time, in the Catalysis, we're able to accelerate freeing up of cash flow from the inventory, from the working capital. So the latest forecast is that, from Catalysis, we still expect to generate a 3 billion of cash flow until 2030. And then looking at Recycling, this is where we also have hedges in place to a certain extent, which will also support the cash flow generation going forward.

**Ranulf:** Okay, thank you.

**Operator:** Your next question comes from the line of Sebastian Bray from Berenberg. Please go ahead.

**Sebastian Bray (Berenberg):** Hello, good morning and thank you for taking my questions. I'd have two please. Firstly, I may have misunderstood how these segments, the subsegments of Energy & Surface Tech are being structured. But, to me, it looks like there's Rechargeable Battery Materials and everything else. Within the everything else category, if we take the examples of Metal Deposition, Electro-Optic Materials and so on, are those parts of Umicore core, or are there potential source of funding for expansions in cathode material later down the line?

And my second question is just on Recycling hedges, the business beat consensus expectations slightly in H1, I'm wondering how much of this metal exposure that we've got going into H2 and to '24 is spot, because Umicore has previously given some indication of how much is hedged in the past. Thank you.

**Mathias Miedreich:** Yeah, thanks, Sebastian. Very relevant question. So let me answer the first one. So indeed, let me reconfirm. So the new organisation structure, we will have and report in four business groups, no change on Catalysis and Recycling. There will be one single business group that is basically the scope, what we call RBM today. So we will report the battery material business on the level of a business group. And then we have the fourth business group that is housing Electro-Optic Materials, Metal Deposition Solutions and CSM, Cobalt & Specialty Materials. Now, I have to say that all of those business groups and the business units are part of our integrated business model and we consider them indeed as core; because the underlying threat of metals, of recycling and circularity, and of the metals business model that we are running, they are all part of that, and will help us to drive forward.

And if you remember what we had explained in the RISE 2030 Strategy, we basically have categorised our businesses in four categories. The one that are strongly growing, the one that provide cash flow. And the one that I would consider more specialty or advanced material businesses, that probably don't have such a big growth market in front of them, but are very profitable, and very high ROCE businesses.

And with that, we consider all of them as core for Umicore. Now on the hedges, I hand over to Wannes.

**Wannes Peferoen:** Yeah, so looking at Recycling and the performance in H1, the first half. As I mentioned earlier, we had exceptionally strong performance in metals management on the back of the volatility in precious metals prices. So this supported definitely the performance in H1. Looking at the hedges at the start of the year for rhodium in particular, we had hedged about let's say 25%. Now moving into the second half, we are at a higher rate. So about two-thirds of the rhodium exposure for the second half is hedged. At the same time, you also need to know that the average price of rhodium of the first half is still substantially higher than the spot price of rhodium today. So there is that impact that we also expect in the second half. Now moving into '24, this is where the hedges of rhodium are today at the level of around one-third, I would say.

**Sebastian Bray:** Thank you, that's helpful.

**Operator:** Your next question comes from the line of Riya Kotecha from BofA Securities. Please go ahead.

**Riya Kotecha (BofA Securities):** Hi, good morning. Thank you for taking my questions. I have three questions please. My first one is about utilisation at different battery plants regionally going into 2024. Aside from the new contracts to ACC and the China battery OEM, any other incremental volumes we should be thinking about?

My second question is that a peer recently announced the capacity increase to 1 million tons, citing that this decision was in part taken to uphold it's 20% market share target. At the Capital Markets Day last year, Umicore too mentioned that it has a 20% market share target. As such, should we expect the company to also increase its capacity by 2030 to uphold this? Or is there risk that if industry growth is more rapid than Umicore, that this market share target is pared back?

My third question is on cash flows. The FCF was particularly weak given the sharp decline in the PGM price in the second quarter. So can you give some more colour on the moving parts of the working capital, and timeline on expectations of the unwind? And if cash conversion remains weak, does this have any impact on the financing options in RBM? And more widely, can you give us an update on financing here and the carve-out as well? Thank you.

**Mathias Miedreich:** Thank you, Riya, very important questions. So number one regarding the utilisation of next year. So I would say that in order of utilisation, the Korean plants obviously will be the ones that will have the highest utilisation rate because of the existing business, but also of the incremental ones. We have then China, where we had said that already end of this year we can start with the new Chinese contract that we have secured and that will significantly increase the utilisation in China. And then in Europe, in Nysa actually, we are starting, one, very significant project next year, SOP which is the ACC business that will be SOP in Nysa that will come on top of the current activity. So you can see also an increased utilisation here.

Now in terms of the second question, in terms of the capacity announcements and market share consequences, and what we would do about it, I want to rephrase our point of view on that. So when we had communicated our ambition in the RISE strategy, we have said that we have an ambition towards 2030, in terms of capacity and market share based on value creative contracts. And for us the first priority are the value creative contracts to close them, and to come to the goal that we have pronounced.

Now that goal is not to follow every announcement of other competitors in terms of capacities. For us, the only thing that counts are contracts. Capacity per se is not valuable for a company, it's only valuable if you can feel it. So what we are doing, we are progressing towards 2030. We are continuing with our contracts, we have had good traction, and we are also looking forward to some good traction on that front. So, no, there's no change on our end on our conviction and plans in regards to the RISE 2030 targets. And then finally, cash flow, I will hand over to Wannes.

**Wannes Peferoen:** Okay, so looking at some of the dynamics in the working capital as explained earlier. In Catalysis, this is where we have been able to reduce substantially the inventory in the pipeline. So looking at buffer inventory, but also scraps and so on. So that has substantially increased the cash conversion cycle in Catalysis. Looking at Catalysis, Catalysis is able to create over half a billion of free cash flow in the first half. Looking at E&ST, as I explained earlier, this is where we are anticipating some of the volume growth in the second half, and where the inventory has gone up somewhat in preparation of the volume ramp up.

At the same time, we also expect that it will again somewhat go down towards the year-end. So looking at working capital overall, we think it should not exceed or not substantially exceed today's levels. Now looking at the financing options, we continue to explore. And as we explained earlier, over time, the carve-out could create opportunities. So that's where we continue to make progress with the carve-out. And where we expect to be able to land the year-end carve-out and which also will help us going into '24, and reporting externally on the battery materials group.

**Speaker:** Next question?

**Operator:** Your next question comes from the line of Georgina Fraser from GS. Please go ahead.

**Georgina Fraser (GS):** Hey, good morning, everyone. Thanks for taking my questions. The first one's on Catalysis. I think it's clear that we should be thinking about a lower 2H than 1H, but I would just wanted to check that that's driven by metal prices, and that there aren't any kind of underlying end-market drivers behind that.

Second question is, you've hedged on electricity and gas prices to a fairly large extent out to 2027. Could you give us any indication at what level those hedges have been made?

And then my final question is a European battery materials player has kind of reconfirmed that they're aiming for 30% EBITDA margins in their battery materials business. I was wondering if you could please remind us what you see as the margin potential for RBM, and your best estimate on the timeframe for reaching that target. Thank you.

**Mathias Miedreich:** Yeah, thank you very much, Georgina. Let me comment on the first topic. So, indeed the variables here that we see are the precious metal prices. We see in volumes, also for the second half of the year, still quite robust. And there is also no other underlying topics. So when we comment for the second half, we comment in relation to the precious metal price environment.

Now commenting on the EBITDA side, I don't want to comment for RBM or battery materials, I don't want to comment the EBITDA announcement of our competitors. However, we see - And here, also we have to make sure to always, and we had this discussion before, compare apple to apple, because some of the competitors include metal into the EBITDA margins, others not. So in our case where we do not include that, when you say other competitors are at 30%, I think this is a range that we feel absolutely, or north of that, comfortable.

**Wannes Peferoen:** That is correct, Mathias. And then looking at electricity, as you know and as we shared earlier for this year '23, we were indeed largely hedged for the European activities. Going into the next year's, '24 until '27, we also have hedges outstanding, although those hedges are at more attractive rates, and basically more close to historical rates.

**Georgina Fraser:** Okay, thank you.

**Operator:** Your next question comes from the line of Chetan Udeshi from JPM. Please go ahead.

**Chetan Udeshi (JPM):** Yeah, hi, morning. A few questions. First, can I start, Mathias, with your comments around utilisation? Because I found it interesting you ranked the regions by utilisation for next year. And I was surprised China is actually looking better in terms of utilisation than Europe. So maybe can you help us understand what's going on in the European capacities, because I thought you already had certain business that you were supplying to LG and Samsung as part of those old contracts that were signed in 2018, '19? So are you saying most of that business is now happening only via Korea and your European business is actually not participating in the supply to those customers, and hence we have to wait for ACC and all the other contracts to help increase the utilisation of the European plant? That's one.

So second question was on just this lithium impact, because I'm always a bit confused. Because if I look at the release, it says lithium is now considered to be a hedged metal, but then it also says there is still a benefit from transactional exposure. So can you maybe help us understand the difference between the two?

And the last question I guess might be more difficult to answer, but I'll try anyway. But given the strategic hedging across lithium, across all the other PGMs, I'm just curious if you had any mark-to-market number in mind that we should be thinking about as a potential earnings level for Umicore. If the metal prices were to remain at these levels into next year, and the year after. And the hedging benefit starts to unwind step by step, what is the earnings level that we should have in mind? I was sort of calculating somewhere between 500 to 600 million of EBIT per year, based on all the stuff that we know or I know at least at the moment. But if you have any such number, I think that would be highly appreciated. Thank you.

**Mathias Miedreich:** Yeah, thank you, Chetan. Let me take the first one, and Wannes the next two. So no, sorry, there might have been a misunderstanding. I was not putting the certain ranking in order of utilisation out there. I was just going through the different plans in terms of history. Indeed, the utilisation of the existing or longer existing capacities, especially in China when we had this relatively short-term ramp up that we had reported on is good, because it's increasing short-term, the utilisation in China, and where we all know that has been quite for some time not so well utilised.

Now in Europe, just to give you some more flavour on that, of course Europe is as of today before Canada at the site where we are constantly investing in capacity expansion. So it will be a construction site for the next year. So there will be always additional capacity on top of that. What I can confirm is that for the European capacities, we basically have major SOP next year, which is the SOP for ACC. But having said that, the activities, and we had said that also before, when you ramp up such a plant going forward in the growth period, is also consisting a lot of qualification and sampling for the SOPs that are starting then afterwards.

So the plant is quite busy, and this samples is also sellable volume, right? By the way. It's not just tests or something like that. There's a sellable volume which goes into quite significant amounts for some of our customers. So the plant will be quite busy over the next year as well. We're starting to feel that at the second half of this year.

So that's the granularity I can give at that point in time. Of course, when we come closer to '24 and when we are reporting that in our new structure, we have room to give more details, but that's basically where I would put it right now. And then for the lithium topics, I would hand over to Wannes.

**Wannes Peferoen:** Okay, so looking at lithium, as we explained last year, we had access last year to a substantial amount of supply of lithium at historically attractive prices. And this is why we decided to hedge transactionally, to hedge lithium going forward. Now matching the historical purchases, the historical supply, attractive prices, we matched those with sales in '22, but also with sales for '23. So that's where there's still discrepancy between purchase and sales price on the lithium for the sales in '23.

So again, with new sales being recorded, we transactionally hedge those. So meaning, there's no spread between purchase and sales price, but we still consumed some of the historical supply into the sales for '23. So that has generated, again, as Mathias shared earlier, a positive contribution in H1, which will fade out in H2 basically. So we are nearing the end of that.

And then maybe coming back to your question on the mark-to-market on the strategic hedges, this is something unfortunately I cannot share. At the same time, the figures you mentioned seem way out of proportion what I would anticipate.

**Chetan Udeshi:** Thank you.

**Operator:** Your next question comes from the line of Geoff Haire from UBS. Please go ahead.

**Geoff Haire (UBS):** Yeah, good morning, and thank you for the opportunity to ask some questions. First of all, could I just ask about the outlook for RBM in Q3? We had LG Energy Solution and also LG Chem yesterday talking about weakness and softness in Q3 for their business. Is this something that you're seeing as well?

And my second question is on Recycling. You mentioned, Mathias, that a lot of the... there was an offset to lower metal prices from the volatility in the trading business. I'm assuming if metal prices sort of stabilise, it would be another leg down on profitability because that volatility disappears, and therefore you don't get the trading profit coming through to offset.

And then my final question is, could you possibly give us what the RBM EBITDA in 2022 is, so that we can then work out, have a better understanding of how the outlook works, please?

**Mathias Miedreich:** Thank you, Geoff. I would take the question one and three, and we'll ask Wannes to talk about two. So for RBM, let me repeat again the pattern that we have here. So we have said way back that 2022 and 2023 will be more or less comparable, but not in line with market growth. And our growth will start in end of '23 and going into '24.

Now, the reason why the growth is starting end of '23 is because new projects are starting and having SOP. So with that, we have basically induction of volumes that is not directly related to the current market trending weaker or softer. It's simply adding more projects to the plant. So I don't know if this helps, but this is not comparable to a statement which would be based on current production. We are increasing the output because we have closed more contracts in the past, and they are now hitting our plans and bringing us up towards 2024.

Now on the RBM side, I fully understand why this is a necessary number for you to have, but at this point in time, we cannot provide it just like that. We will work through the Investor

Relations Team also now in the next months to come, to see how we can give you a better reference, and how we can guide and help to build models, also looking to 2024 in terms of also outlook and consensus. So bear with us for some time. We are working on a way to make that more transparent and understandable. And then on the Recycling and PMM question, I hand over to Wannes.

**Wannes Peferoen:** Yep. So looking at Recycling, as you have seen the evolution of the rhodium price, that created an excellent environment for the metals trading, for the metals management activity to create exceptional results. If you look at the rhodium price of the last weeks, we expect that it has somewhat reached a floor, and we expect that it will be rather stable going into the second half. So meaning that for the second half, we expect that the result, the contribution from metals management will basically normalise again.

**Geoff Haire:** Okay, thank you.

**Operator:** We have now come to our last question. Your final question comes from the line of Mazahir Mammadli with Redburn. Please go ahead.

**Mazahir Mammadli (Redburn):** Hello, thanks for taking my questions. I only have two. So in the Q1 update, you said that the RBM result you expect flat year-on-year, but now it seems like you've upgraded it to increase year-on-year. Can you maybe give some more colour? What has changed in the interim how the market has evolved?

And the second question is, so you are serving the European demand from the Korean RBM plant right now, and as the Nysa plant ramps up, you will shift serving the European demand from there. So shall we expect the Korean capacity utilisation to slightly go down from 2024 onwards? Thank you.

**Mathias Miedreich:** Yeah, let me maybe start with the second question. Now, of course there is a certain volume shift between what we had as a Korean footprint only at that point in time, to European based volumes to Europe. However, we also have new contracts or new projects that will then land in our Korean facility. So we are quite confident that in 2024, and that's what I had said before.

We will also have, despite that unloading effect, if you want, a quite good utilisation of Korea, that is based on current but also on the visibility that we have on contracts to be closed in the future. So, no, if your conclusion was that the European ramp up would lead to a significant decrease in utilisation of the Korean plants, I would say this is not the case, because we will be able to replace those volumes. And for the RBM question, I will hand over to Wannes to give you some flavour.

**Wannes Peferoen:** Yeah, so for RBM, we expect earnings and performance somewhat in line with last year, with adjusted EBITDA of RBM above the level of last year. Where last year, we had an exceptionally strong contribution from the lithium margin. As I explained earlier, there's still some of that in '23, but to a lesser extent. At the same time last year, we were also confronted with quite exceptional startup costs related to the Nysa factory. So looking at the mass production test trends and so on.

**Mazahir Mammadli:** Thank you.

**Operator:** I will now turn the call back over to Mathias for closing remarks.

**Mathias Miedreich:** Yes, thank you very much. Thank you for your attention. Thank you for the good discussion and good questions. We wish you all a very good summer break, and look forward to engage then maybe with some of you next week during our roadshow that we'll be doing. Thank you very much and have a great end of the day.

**Operator:** Ladies and gentlemen, that concludes today's call. Thank you all for joining. You may now disconnect.

[END OF TRANSCRIPT]