

Umicore expects solid performance in 2020

Solid performance in 2020 despite unprecedented and challenging market context

Umicore expects its full year adjusted EBIT to be in the range of € 465 million to € 490 million with adjusted EBIT in Catalysis and Energy & Surface Technologies well below the level of 2019 and adjusted EBIT in Recycling well above the level of 2019, as previously communicated. This outlook statement is made under the assumption that the ongoing spread of the COVID-19 pandemic, in particular in Europe and North America, will not lead to major new disruptions in operations or market demand.

Strong third quarter in Catalysis

The third quarter of 2020 was marked by a sharp recovery of the automotive industry. After a contraction of 35% in the first half of 2020, global car production picked up in the third quarter to almost match the levels seen in the same period in 2019. This was driven by a remarkably strong and fast rebound of the Chinese car market, with year-over-year growth in the quarter, as well as by a more gradual recovery of car production in Europe, North America, Japan and Korea, reaching pre-pandemic levels again in September. It is, however, too soon to ascertain whether the pace of recovery will be sustained.

Umicore's volumes and revenues in **Automotive Catalysts** in the third quarter outperformed the global car market, benefitting from a strong market position in China, in particular with international OEMs. Earnings in the third quarter reflected the positive operating leverage driven by the volume recovery and cost savings following recent footprint adjustments.

Based on current market trends, Umicore now expects global car production to be down by approximately 20% for the full year (compared to its previous assumption of a 25% decrease). In this scenario, Umicore expects adjusted EBIT for **Catalysis** for the full year of 2020 to be in the range of € 130 million to € 140 million. In 2021, the business group is expected to continue to benefit from its strong market position in gasoline LDV applications, particularly in Europe and China, supplemented by the initial impact from China VI legislation for heavy-duty diesel applications and cost savings resulting from the cost reduction measures carried out in 2020.

Negative operating leverage in Energy & Surface Technologies

For the first nine months of 2020, global EV sales were up 9%, reflecting a sales rebound in the third quarter after a severe contraction in the first half of the year. Expressed in GWh, battery demand for EVs in the first nine months of 2020 increased by approximately 5% as EV sales growth was driven by plug-in hybrid vehicles, requiring on average 5 to 6 times less kWh of cathode materials than full EVs. Year to date, full EV sales were roughly flat year on year.

In Europe, EV sales continued the positive momentum and more than doubled in the third quarter compared to the previous year, in particular driven by strong demand for PHEVs, which more than tripled and currently represent close to half of the European EV market (vs. about one third in 2019). In China, EV sales declined by 19% year to date and, on average, remained well below the peak levels reached in the second half of 2018. Despite growth in third quarter sales of EVs, the battery materials market in China is still facing significant excess capacity.

Sales volumes of Umicore cathode materials in the third quarter reflected the negative impact of excess inventories in the rechargeable battery supply chain, as anticipated. This inventory effect should subside by year-end and Umicore expects sales volumes of cathode materials for EVs in the second half to grow year-on-year and sequentially. Sales volumes in portable electronics and energy storage systems are expected to be lower year-on-year.

As anticipated, the underutilized capacity in Umicore's Chinese greenfield cathode material plant, in combination with higher fixed costs related to recent and ongoing expansions, continue to result in a significant negative operating leverage. In addition, the current pricing environment remains unfavorable in China due to the significant excess capacity.

The performance of the other business units in the second half is expected to continue to reflect the impact of weak trading conditions.

Umicore expects adjusted EBIT for **Energy & Surface Technologies** for the full year 2020 to be in the range of € 70 million to € 75 million. For next year we expect sales volumes in cathode materials to benefit from the growing penetration rate of electric vehicles and the launch of new platforms for which Umicore's materials have been qualified. However, as this business continues to be driven by technology innovation and comes at a high level of fixed costs, it will take more time in the current market context to achieve the desired scale effects. In addition, the unfavourable pricing environment is expected to persist in China due to the excess capacity in the industry.

Supportive supply and metal prices in Recycling

In the third quarter of 2020, the Recycling operations continued to benefit from favorable trading conditions, a supportive supply environment and higher precious metal prices, including rhodium which has no liquid futures market that allows for hedging. Considering the planned 4-weeks maintenance shutdown in the Precious Metals Refining business unit, which was completed over the summer, and seasonality effects in Jewelry and Industrial Metals, Umicore expects adjusted EBIT for Recycling in 2020 to be in the range of € 320 million to € 330 million. The business group's earnings are expected to continue to benefit next year from a favorable supply environment and metal prices hedged at attractive levels while remaining exposed to the price evolution of unhedgeable metals which is difficult to predict.

Lower contribution from Element Six Abrasives in the Corporate segment

The Corporate segment is expected to reflect a much lower contribution from Element Six Abrasives which saw a significant contraction in its oil and gas drilling business as well as in the demand for precision tooling products used in automotive and aerospace applications.

EBIT adjustments

Umicore expects EBIT adjustments for the second half to be in the region of - € 150 million, most of which have a non-cash nature. This amount includes the recently announced charges of € 55 million related to the streamlining of the cobalt activities in Cobalt and Specialty Materials, other non-cash impairment charges and a provision to create a green zone next to the Hoboken plant.

Marc Grynberg, CEO of Umicore, commented: *“Notwithstanding the devastating impact of the pandemic, Umicore is on track to post a solid performance in 2020, which demonstrates once more the resilience of our business model as well as the commitment and agility of Umicore’s 11,000 employees. My priority remains to safeguard their health and safety. The long-term trends supporting Umicore’s strategy in clean mobility and recycling are more relevant than ever and I am convinced Umicore will come out of these challenging times well positioned and prepared for future growth.”*

Conference call

A conference call will be hosted by Marc Grynberg, CEO, and Filip Platteeuw, CFO, **today, November 2 at 9:00 am CET.**

More information on: http://umicore.com/nov20_webcast

For more information

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About Umicore

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 € 10.0 billion) in the first half of 2020 and currently employs just below 11,000 people.