

23 April 2019 – 07:30 CEST

Umicore update on trading conditions and outlook

Negative pressures from delays in electric vehicle and energy storage markets as well as from artisanally mined cobalt

Umicore announced today that it expects its recurring EBIT for the full year 2019 to be in a range of € 475 million to € 525 million. This guidance reflects positive developments in Catalysis and Recycling, while the Energy & Surface Technologies business group faces challenging market conditions in its key end-markets and experiences delays of 12 to 18 months in the development of its cathode materials sales. Despite these delays, Umicore expects significant growth in revenues and earnings in 2020 although this will be below the previous indications^{*}.

In **Energy & Surface Technologies**, demand patterns for cathode materials have deteriorated in the past couple of months, in China and Korea in particular. In China, the demand for EVs has considerably decreased from the levels of the second half of 2018. The change in subsidy mechanism, which was announced in March and is taking effect in April, is likely to keep EV sales under pressure. The same trend is observed in the e-bus segment. In Korea, following a series of safety incidents, a significant fraction of installed energy storage systems has been shut down and more recently, the production of any new systems has stopped. In addition, Umicore is impacted by the postponed launch of a large xEV platform in China. Overall, the above factors are reducing the demand for Umicore cathode materials and mean that the previously stated projections of 100,000 metric tons of cathode materials sales in 2019 and 175,000 metric tons capacity by the end of 2021 are now more likely to be achieved with a delay of 12 to 18 months. The timeline for the commissioning and ramp-up of new capacity has been adjusted accordingly.

In addition to the above effects, revenues and margins for the business group are impacted by a depressed cobalt price as well as the inflow of cobalt from artisanal mining which enables several competitors to sell cobalt containing products at discounted prices. This puts most product lines of the Cobalt & Specialty Materials business unit, as well as some high cobalt containing cathode materials such as LCO, at a significant competitive disadvantage and affects both sales volumes and margins. Umicore has a strict policy of not sourcing any such cheaper units of cobalt from artisanal operations as these involve unsafe and unhealthy working conditions and very often child labor. We certify to our customers that Umicore products do not involve any such practices and we ensure, at our own cost, that our entire value chain, from refining to transformation and recycling, does not get contaminated by any handpicked raw materials. Together with selected players in the value chain, we are advocating for a widespread adoption of industry standards that would entirely prevent the utilization of materials involving child labor and other unacceptable practices.

The cobalt price effect and the inflow of artisanal cobalt combined with the delay in the development of cathode materials sales mean that recurring EBIT of Energy & Surface Technologies in 2019 is expected to be well under the levels achieved in 2018. This outlook also incorporates the effect of higher

^{*}Umicore had previously indicated that it had identified a potential to exceed its original earnings ambition for the year 2020 by some 35% to 45%.

fixed costs, such as depreciation charges resulting from last year's investments and the upfront costs for the greenfield sites in Poland and China.

In **Catalysis**, the first quarter of 2019 has been characterized by a pronounced slowdown of the automotive market in China and Europe and soft demand across other regions. Against this challenging market backdrop, Umicore will benefit this year from the gradual introduction of recently awarded business for gasoline engines requiring a particulate filter. The business group will also benefit from higher sales of the compounds used in pharmaceutical, chemical deposition and fuel cell applications. Overall, recurring EBIT for the business group is expected to grow from last year's levels, slightly ahead of the consensus of the market.

In **Recycling**, the Hoboken plant underwent a scheduled extended shutdown in the first quarter of 2019 to allow for a combination of investments and regular maintenance work. These investments, which included certain modifications to the key equipment, were successfully completed and the resulting technical improvements will benefit the performance of the plant this year, thereby offsetting the volume impact caused by the reduced availability of the plant. The Recycling business should also start to benefit from an improvement in market conditions for certain grades of end-of-life materials as well as from higher PGM prices. Overall, it is expected that recurring EBIT for the business group will exceed that of last year, ahead of the consensus of the market.

Despite the fluctuating demand patterns for cathode materials in the near term, the fundamentals behind Umicore's rechargeable battery materials business remain strong. Electrification is confirmed as the main avenue to drastically reduce vehicle emissions in the mid and long term. Also, the technology roadmap to improve battery performance in terms of range, charging times and durability offers ample room for materials technology innovation and differentiation. Umicore is ideally positioned to address the long-term requirements of this industry while managing short-term fluctuations with agility.

Marc Grynberg, CEO of Umicore commented: "I am confident that our strategy to be a leader in clean mobility materials and recycling provides a clear and promising roadmap for the growth of the company over the next decades. In the short term, I am disappointed that, despite our advocacy efforts and the evidence that a clean value chain exists, artisanal cobalt continues to find its way to end products through multiple supply chains. We will not compromise when it comes to promoting a more sustainable rechargeable battery value chain."

A conference call for analysts and investors will be hosted today at 08:45 CEST by Marc Grynberg, CEO, and Filip Platteeuw, CFO.

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A conference call and audio webcast for media will be hosted today at 10:30 CEST by Marc Grynberg, CEO.

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Audio webcast : <https://edge.media-server.com/m6/p/jihgkaqb>

For more information

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Umicore profile

Umicore is a global materials technology and recycling group. It focuses on application areas where its expertise in materials science, chemistry and metallurgy makes a real difference. Its activities are organised in three business groups: Catalysis, Energy & Surface Technologies and Recycling. Each business group is divided into market-focused business units offering materials and solutions that are at the cutting edge of new technological developments and essential to everyday life.

Umicore generates the majority of its revenues and dedicates most of its R&D efforts to clean mobility materials and recycling. Umicore's overriding goal of sustainable value creation is based on an ambition to develop, produce and recycle materials in a way that fulfils its mission: materials for a better life.

Umicore's industrial and commercial operations as well as R&D activities are located across the world to best serve its global customer base. The Group generated revenues (excluding metal) of € 3.3 billion (turnover of € 13.7 billion) in 2018 and currently employs 10,400 people.

Forward looking statements

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