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# EDITED TRANSCRIPT

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**Stephanie Bothwell** *Merrill Lynch - Analyst*

**Joe Dewhurst** *UBS - Analyst*

**Wim Hoste** *KBC Securities - Analyst*

## PRESENTATION

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### Operator

Good day and welcome to the Q3 2015 conference call. Today's conference is being recorded. At this time, I'd like to turn the conference over to Mr. Marc Grynberg, CEO. Please go ahead, sir.

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### Marc Grynberg - Umicore NV - CEO

Thank you and good morning everyone. It's a pleasure for me to welcome you to today's call where we will update you on how trading has progressed in the third quarter of 2015. In terms of overall evolution, the Group revenues were up by 10% in the third quarter, compared to the same period in 2014. And that is pretty much in line with the growth pattern that we have achieved and observed in the previous quarters of this year.

The biggest increase in percentage terms came in Energy & Surface Technologies where we continued to generate very strong growth in sales of cathode materials for rechargeable batteries and also saw strong revenue growth in the Cobalt & Specialty Materials activities. In Catalysis we also had the strong increase in revenues, actually the biggest increase in absolute value, and this was primarily due to the combined effect of volume increases as well as product mix improvement in the Automotive Catalyst activities. These increases more than offset the lower revenues in Recycling which was a result of lower metal prices and the impact of the extended shutdowns at the Hoboken operations.

The capacity expansion investment in Hoboken is proceeding according to plan and we now start to see the first benefits of these investments in terms of throughput.

Other growth investments in Automotive Catalysts and in Rechargeable Battery Materials are either on or ahead of schedule.

From a financial perspective, our level of debt at the end of the quarter was somewhat higher than at the end of June and that was the result of the interim dividend payments and the share buybacks.

From an outlook perspective, as we get close to year-end, a number of uncertainties that were discussed back in early August have now been lifted. One of them was the possible impact of the year's slowdown in the Chinese automotive markets. While there was some impact in the third quarter on our catalyst demand, the first signs of improvements are already there, and overall demand and mix continue to be very supportive in Automotive Catalysts.



The other question mark was about metal prices, and there unfortunately the headwinds have become somewhat stronger. This is particularly the case in secondary metals, the demand for which has evaporated with an immediate impact on recycling margins. As a net effect, I now expect full-year recurring EBIT to be towards the middle of the range of EUR310 million to EUR340 million.

With that, I would like to let Filip, our CFO, guide you through the evolution in each of the business groups.

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**Filip Platteeuw - Umicore NV - CFO**

Thank you Marc and good morning everyone. Let's start our business overview with Catalysis where revenues were up by 19%. Revenues for Automotive Catalysts increased considerably year on year benefiting from strong demand for our catalysts for light-duty vehicles and a more supportive product mix in that segment.

In Europe, Umicore's volume growth was driven by the ongoing introduction of Euro 6b compliant diesel platforms and success of the gasoline platforms introduced earlier in the year. We also outperformed in the North American and the South American markets due to a favorable platform mix.

In China the overall car market stagnated in the quarter. While domestic brands continued to see some growth, sales by global manufacturers decreased leading to slightly lower Umicore revenues. Recently introduced government incentives are expected to support a pick-up in demand. The overall revenue growth in the quarter in Automotive Catalysts can also be partly attributed to the heavy-duty diesel segment where we benefited from a further ramp-up in production in Europe and in Asia.

In terms of investments, construction of the new technology development center in South Korea and the new production plant in Thailand are progressing according to plan. In Poland our investment was already completed and production started well ahead of schedule.

Turning now to Energy & Surface technologies, revenues in this segment were up by 24%. Revenues in Rechargeable Battery Materials gathered further momentum from the second quarter and were well up year on year reflecting strong volume growth. Much of this growth came in nickel manganese cobalt cathode materials that are being used in batteries for electrified vehicles as more and more new electrified models are being introduced.

While the total market shipment levels of portable devices showed some signs of stagnation, demand for Umicore's high-energy lithium cobaltite cathode materials used in batteries for high-end portable electronics was up and this was driven by the introduction of new smartphone and tablet models.

The capacity expansion projects in South Korea and China are on track and are scheduled to come on stream between now and mid of next year. Revenues for Cobalt & Specialty materials were also up year on year. This was driven by a high contribution from the cobalt and nickel refining and distribution activities including the businesses that we acquired in the second half of last year. However, price pressure in some end-markets and lower metal prices had a negative impact on margins.

Revenues for Electro-Optic Materials remained well up year on year supported mainly by a high contribution from the recycling and refining activities, and increased sales of high purity chemicals that are used in the fiber optic industry. Revenues in both Electroplating and Thin Film Products were up slightly with no significant changes in the demand patterns seen earlier in the year.

Passing on to Recycling now, revenues were down 12% year on year, and mainly in Precious Metals Refining due to lower prices and lower demand for specialty metals as well as the impact of the extended shutdown in Hoboken. The second wave of investments was successfully carried out in the summer and the overall Hoboken capacity expansion program is on track.

The supply mix remains solid for both the recyclables and by-product segments, with an increased proportion of higher grade and more complex feed year on year. Our expectation remains that the higher throughput rates achieved following the investments should ensure that processed volumes in Hoboken for the entire year will be similar to those of 2014 hence offsetting the impact of this year's double shutdown.

Looking at the other business units in the segment, revenues for Jewellery and Industrial Metals were lower as a result of less contribution from the recycling activity, while lower revenues for Technical Materials and Platinum Engineered Materials reflected reduced demand in certain key end-markets.

Finally, Precious Metals Management recorded higher sales volumes for most PGMs. This was driven by continued strong demand from the automotive industry.

In the zinc activities, which are now reported as discontinued operations, combined revenues were up slightly on the back of higher sales in Zinc Chemicals, while in Building Products revenues were stable despite assisting challenging conditions in the European construction sector.



Our Element Six Abrasives joint venture, which is now reported under the corporate line, experienced a challenging quarter with revenues well down and this was mainly due to the reduced orders from customers in the oil and gas drilling sector.

That covers the evolution of the various businesses, and I now hand back to Marc for the wrap-up.

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**Marc Grynberg - Umicore NV - CEO**

Thank you Filip. So we can see that from a revenue perspective we have done well in the third quarter with strong progression in Catalysis and in Energy & Surface Technologies, more than offsetting the lower revenues in Recycling. All of our major investment projects are either on track or ahead of schedule. We are remaining vigilant of course as markets remain volatile, not least the markets for precious and specialty metals.

While metal price headwinds have undeniably become stronger in the third quarter, demand patterns in Catalysis and in Energy & Surface Technologies remain very supportive and all in all I can confirm that full-year earnings will be towards the middle of the previously stated EBIT range of EUR310 million to EUR340 million.

And with that, I can now turn the line over for any questions that you might have.

**QUESTION AND ANSWER**

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**Operator**

Thank you very much sir. (Operator Instructions) Mutlu Gundogan, ABN AMRO.

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**Mutlu Gundogan - ABN AMRO - Analyst**

A couple of questions. Let me start with four. The first is on the guidance, obviously a small cut. Just wondering, is that solely due to the decline in specialty metal prices, or should we consider more factors? Second question is if we look further out in 2016, at the half-year results you provided an expected negative impact of EUR20 million from lower metal prices in euro terms. I was just wondering if you could provide us an update of that number at today's prices.

Thirdly on Catalysis, are you seeing any impact of the diesel scandal at Volkswagen, and can I just pick your brain on what you think will be the impact on the diesel segment in the short to long term? And then to keep it with these four questions, a question on NMC, just wondering how much of the volumes are driven by China? Could you provide us a split of China and the business excluding China?

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**Marc Grynberg - Umicore NV - CEO**

And so let me start with the guidance. When I gave the guidance, when I updated the guidance back in early August, I gave a range indicating thereby that all the areas of the range could be achieved depending on how certain uncertainties -- certain parameters would play out. As I mentioned in my introductory remarks, a number of them had moved into positive direction and that is the case of the continuing very supportive demand in Automotive Catalysts and in Rechargeable Battery Materials. A certain number of elements have played out less favorably, one of them being the demand in -- for specialty for secondary metals, which indeed has become a stronger headwind as we speak.

So it's not that there are many elements at play there. Those that were uncertain at -- in early August have become clear now. Some of them have moved positively. Some others have moved in the negative direction. And the overall result is that we see now ourselves ending up in the middle of the range, which by the way is very much in line with the consensus as I can read it.

As far as next year's concerns, indeed I gave an indication that -- back in August that at the then prevailing metal prices the impact on the profitability would be in the region of EUR20 million next year. It's difficult to quantify how that has developed in the meantime, and let me explain that. When it comes to precious metals, the prices expressed in euros are largely unchanged give or take a few percentage points compared to when we spoke last.

What has changed quite drastically in the meantime is the demand for secondary metals. It's not necessary that the price affects the demand itself for certain of these metals as operated, and so it's difficult to quantify. Suffice to say that indeed if I had to make a rough estimate, I would say today that the impact would be somewhat higher than EUR20 million, but I cannot give you a figure because part of that is directly price-related and part of that would be volume effects.



In Catalysis, we do not see I would say an immediate impact from the -- I would say the VW situations and the diesel discussions or debate that is ongoing. I think it's too early to say how things will play out in the short, medium, or long term. Clearly as we indicated during the Capital Markets Day a month ago, or slightly over a month ago, in the long term we believe we are extremely well-positioned to benefit from any trends because we are positioned to support any drive-train technology, whether it's clean or combustion engines, whether it's hybrid or electric vehicles, or whether it's about fuel-cell powered car.

So in the long term, we're not so concerned about I would say how things will play out because there is only one trend which is certain and that's the fact that the world is moving in a direction of cleaner and cleaner vehicles and we're positioned to address that trend. But again when it comes to short- or mid-term impacts, unfortunately it's too early to tell how things will play out.

And your last question was about the increase -- the significant increase in NMC demand. It is fair to assume that a big chunk of that is driven by developments in China. As we mentioned on prior occasions, this is partly driven by the introduction of e-bus fleets in a number of urban areas in China and also the -- I would say the broader introduction of a larger number of electrified platforms in China and in other regions. But all in all, yes, it is fair to assume that China is a significant factor in the equation.

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**Mutlu Gundogan - ABN AMRO - Analyst**

Thanks for the answers, Marc. Can I just follow up on the demand for the secondary metals? Can you elaborate what is going on? I mean, do you have an explanation or examples of certain end-markets that are not there anymore?

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**Marc Grynberg - Umicore NV - CEO**

Well, yes indeed. There is much lower demand for selenium and tellurium for indium -related -- certain indium-related applications. Indicators of tellurium, a big chunk of the tellurium is utilized in thin film solar cell technologies, and indicators of selenium is partly related to the overall industrial output in -- particularly in China. So there is an industrial component to the demand downturn. There is also an element of stock-piling that had been done in China in the past couple of years and that has for the time being come to a stop.

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**Mutlu Gundogan - ABN AMRO - Analyst**

Okay, thank you.

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**Operator**

Peter Olofsen, Kepler Cheuvreux.

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**Peter Olofsen - Kepler Cheuvreux - Analyst**

I had a question on the Energy & Surface Technologies segment. I think last year you talked about some changes in seasonality in the battery materials business. So could you shed some light on how we should see Q4 developing in this respect? Is it fair to assume that the kind of growth rate that we saw in the first half and in Q3 will continue in Q4, or could it change because of seasonality?

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**Marc Grynberg - Umicore NV - CEO**

There is indeed some seasonality, sometimes a bit less predictable than in the past I would say. This being said, yes, we expect some seasonality effects and the growth rate in Q4 should be somewhat more moderate than in Q3 and in Q2 this year. And the seasonality is to a certain extent related to the portable applications and the fact that most OEMs have very strong sales towards the end of the year, the year-end sales season. And in order to prepare for that, they need a lot of batteries being produced in the third quarter.

So typically the year-end season sales creates a significant peak in demand in Q3 which is not being repeated in Q4. And that explains many times the -- I mean, on many occasions in many years the seasonal effects.



In the automotive sector, it's somewhat different. You don't see the same seasonality and so that mitigated a little bit the effect that would have been occurred on the -- in prior years, but there will be some seasonality indeed.

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**Peter Olofsen - Kepler Cheuvreux - Analyst**

So overall still strong growth in Q4, but not the 24% that we saw in Q3, is that a fair summary then?

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**Marc Grynberg - Umicore NV - CEO**

Yes, possibly indeed.

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**Peter Olofsen - Kepler Cheuvreux - Analyst**

Okay, thank you.

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**Operator**

Paul Walsh, Morgan Stanley.

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**Paul Walsh - Morgan Stanley - Analyst**

I just had a question around the Recycling business. If I understood you right Marc, I think that you are sort of suggesting recycling EBIT starts 2016 with a EUR20 million-plus REBIT headwind. Assuming -- I mean it's impossible to say where metal prices and various other variables end up for next year, but assuming extrapolation of current pricing, does the whole bulk of expansion offset that, i.e., more than mitigate it?

I mean the bottom line is I'm looking at consensus numbers that are forecasting EUR10 million-EUR11 million year-on-year increase in EBIT in recycling and I'm wondering given your comments around the current headwind whether or not that is -- whether that is possible or not?

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**Marc Grynberg - Umicore NV - CEO**

I would say that it's a bit early -- too early to provide detailed earnings guidance for next year. Suffice to say at this point in time that the expansion is on track and is starting to deliver the benefits in terms of throughputs as we had anticipated. And you will have to bear with us a bit more before we can give some detailed guidance in terms of how things will play out in terms of earnings.

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**Paul Walsh - Morgan Stanley - Analyst**

And the volume comments you make with regards to that business, is it just the mix of volume deteriorates or is it just that people stop doing stuff, i.e., how do those comments affect your ability to fill the incremental expansion?

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**Marc Grynberg - Umicore NV - CEO**

Well, so far the -- what we observed is that the supply conditions remain supportive. We do not see a risk of not being able to source the volume that we need for next year. This being said, I would say that a number of contracts are still under discussion and we'll see how the industrial output will look like next year.

You're also right about some capacity closures in the mining and smelting industries. We don't see that having an effect for the time being, but I cannot rule out that things will develop differently in the course of next year. Again there it's a bit early to tell. Suffice to say that at this stage we don't see a risk in sourcing the required volumes.



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**Paul Walsh - Morgan Stanley - Analyst**

Understood. Thanks very much.

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**Operator**

Evgenia Molotova, Berenberg.

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**Evgenia Molotova - Berenberg - Analyst**

Just two questions, in terms of just kind of fine reporting question, can we expect at some point that you will split in Battery Materials, electronics and electric vehicles because they have different growth dynamics I assume different profitability? And do you need to reach certain volume when you probably do this because it would help us immensely?

And the second question on ramp-up of the smelter, so I assume -- because you were intending to do it quite gradually, so I assume for the first kind of steps for the volumes if you already expect now your defined contracts, right?

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**Marc Grynberg - Umicore NV - CEO**

Let me start with the second question. Yes, we have made very significant progress in securing contracts for next year. And the proportion of contracts that have been secured is in line with what we would achieve -- what we would have achieved in prior years at the same time of the year. So things look indeed good and in line with the ramp-up scenario that we have discussed in particular during the Capital Markets Day.

Let me now comment on your -- or respond to your first question. Breaking down the contribution from portable and automotive segment in Rechargeable Battery Materials, it's not on the agenda today. I'm not prepared to do that. Unless one day when this business becomes so huge that there is a good justification to do that, but today it's not on the agenda.

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**Evgenia Molotova - Berenberg - Analyst**

Okay, thank you.

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**Operator**

Tom Wigglesworth, Citi.

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**Andrew Benson - Citi - Analyst**

It's actually Andrew Benson here. Thanks for taking the questions. I'm probably being a bit stupid here, but on the 2016 outlook you're saying in excess of EUR20 million. Is that all encompassing? Is that the absence of hedges in the precious metals part of the refining if it can protect your earnings this year in addition to lower specialty metal prices?

So is that the totality of all the impacts year on year as opposed to just lower specialty metal prices and some impact on volumes of some of the specialty metals. That's the first question.

Secondly, can you provide granularity on the Catalysis with revenues up 19% and just as far as your -- do you think you're able to do that or prepared to do that in terms of the growth from legislation, so 6b driving growth, the mix effects in terms of whether you're gaining more diesel, whether you're gaining share and then the FX as well. So if you can provide granularity that will be great.

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**Marc Grynberg - Umicore NV - CEO**



Let me first indeed clarify the -- again the EUR20 million plus indication for next year. This is meant to be all encompassing indeed in the sense that it includes the measurable metal prices effect and currency effects. So net amount of metals and currencies across the Company although most of that or the vast majority of that is going to be in the Recycling segment. Now, as I mentioned or alluded to earlier, it is difficult to quantify what the volume effect, the demand effects may turn to be in the secondary metals. At this point in time so I would say the EUR20 million is really mechanical calculation related to the measurable metal price and currency effects.

In Catalysis, a big chunk of the growth in revenues this year is indeed the result of the introduction of newer emission norms, and in particular Euro 6b. As we had indicated in the course of last year, we have won a number of platforms of Euro 6b platforms and have started the ramp-up of these platforms towards the end of last year. And the effects on our revenues are indeed significant in 2015.

So a big chunk of the growth is to be attributed to Euro 6b. And similarly the contribution from the ramp-up of heavy-duty diesel is to a large extent the result of the introduction of Euro 6 in Europe.

So that's a big chunk of the growth. And this -- aside of the impact of additional norms, it is fair to say that we're also benefiting from the recovery that we see in the European markets, the continued supportive demand in the US, plus the mix effects in Europe being the fact that we have a higher share of diesel than we had in the past couple of years. And in the US, we have a more favorable platform mix than in prior years.

I have mentioned in the past when we've had those effects that these can be temporary because they depend on how well some of the platforms are setting. And sometimes we are well-positioned there, sometimes we do not benefit from these platform swings.

This time around indeed most of the parameters are moving in the right direction. When it comes to more structural market share gains, I would say that aside the heavy-duty area where we are late in trend and by definition as we started from scratch, are taking away some market share -- are taking market share away from our competitors. In the light-duty segments, the only area we're truly and structurally winning market share is with the Japanese OEMs globally.

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**Operator**

(Operator Instructions) Adam Collins, Liberum.

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**Adam Collins - Liberum - Analyst**

I've got three questions please. First of all, could you help us understand how Element Six Abrasives performed in the third quarter relative to the first half? That's the first question.

Second one, could you give some color on the significance of the secondary metals to recycling profits? I think a couple of years ago you talked about roughly three parts of profit of equal size, one of which was specialty, but since then trends have been negative, so is it still around a third of profits or is it less than that?

And then finally a question on Euro 6b diesel and the VW issues, are you able to sort of say whether the contribution from SCR at the Euro 6b level -- the profitability of SCR is similar to LNT, there's obviously the expectation looking forward to SCR takes more share? They are the three questions, thanks.

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**Marc Grynberg - Umicore NV - CEO**

So let me start with your question about Element Six Abrasives. The contribution in the third quarter was very low.

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**Adam Collins - Liberum - Analyst**

Yes.

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**Marc Grynberg - Umicore NV - CEO**





Very much depressed by the current trading conditions in particular in the oil and gas drilling sector. So that was relatively lower than in the first half of the year. And it's one of the elements that has played out unfavorably for us since half -- since the first half.

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**Adam Collins - Liberum - Analyst**

Yes.

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**Marc Grynberg - Umicore NV - CEO**

In terms of the secondary metals, the relative size and the relative contribution of these buckets of metals in the overall profitability is a trend by definition and/or the combined effect of lower demands or lower volumes on one side and lower prices on the other side. So today if I have to take a snapshot of what it is, it is not one-third anymore of the contribution -- of the metal price contribution indeed.

On the Euro 6b, it is difficult to compare or to single out the LNT or SCR component because the system is somewhat different whether you use an SCR or an LNT and so it's somewhat difficult to compare. But I would say that the -- very roughly speaking, the contribution of an SCR is somewhat lower than that of an LNT.

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**Adam Collins - Liberum - Analyst**

Right. Okay. Thanks Marc.

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**Marc Grynberg - Umicore NV - CEO**

Which doesn't mean that the cost is lower because the configuration is very different indeed. And by the way you will also recall from a previous discussion that LNT and SCR have different applications in terms of engine size which makes the comparison also somewhat more difficult, so with LNT being more appropriate for smaller engines and SCR for relatively larger engine.

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**Adam Collins - Liberum - Analyst**

Okay. No doubt we'll talk more about that. Thank you Marc.

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**Operator**

Mutlu Gundogan, ABN AMRO.

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**Mutlu Gundogan - ABN AMRO - Analyst**

Yes, a follow-up question on diesel. Again Volkswagen; just wondering, I mean, there was talk that they potentially could recall millions of vehicles and I know you don't want to talk about customers, but given that there only are three automotive catalyst companies, my question is whether you would be able to take on a part of those volumes if that would indeed be the case?

The second question is on real driving emissions that is set for 2017. Clearly a lot of discussion at the moment about regulation. Do you see any risk of that being pushed out or being brought forward? So do you see a change in that date? And then thirdly is on discontinued; just wondering if you can provide us an update on where we stand with the divestments. I think that especially on Zinc Chemicals you were optimistic. Whether that's still the case or not?

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**Marc Grynberg - Umicore NV - CEO**



So from a technical point of view, we would be indeed able to produce the additional pieces if there was a recall that would require catalysts to be replaced and I'm actually glad that you raised the question because it allows me to indeed repeat the message that the catalyst industry is going to be part of the solution and was not part of the problem.

And of course this would be a bit of a stretch for our teams, knowing as we indicated in the past that we have been working at full capacity and had to advance some of the investments, CapEx investment programs. But of course with our new plant in Poland coming on-stream a number of months ahead of schedule, this is something that we could definitely do.

The real driving emissions, indeed are on -- have been on the agenda for a while and given the recent scandal have been under or come under a different light. I think it would be difficult for the industry to bring them forward because you need quite a bit of time, development, and certification work to adjust engine configuration and after treatment systems as well.

And from a public opinion point of view and a political agenda point of view, I see that's highly unlikely and very difficult to push them out. So it will be an interesting situation where the industry will have to adjust the -- probably very quickly, to a changing situation and trying to close the gap as much as possible between the test emissions and the real driving conditions.

On the divestment, Filip.

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**Filip Platteeuw - Umicore NV - CFO**

Yes, divestment, Mutlu, we're on track, so if you would refer to the comments we made last time which is that we would not run both zinc files together, so -- because of practical reasons, so Zinc Chemicals is the first file and we're on track and I would repeat the objective that we have which is by the end of next year -- find the -- find a good owner for the business.

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**Mutlu Gundogan - ABN AMRO - Analyst**

Maybe a follow-up question on real driving emissions. I guess I'm becoming a bit older than I thought. I've already forgotten what you said especially on the Capital Markets Day on the impact of real driving emissions on the value of your business. So just wondering given the scandal and given also the various other automotive OEMs still meet the emission standards or the norms, just wondering what the impact would be on the value of the systems that you sell, can you provide us a rough number for that or an estimate?

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**Marc Grynberg - Umicore NV - CEO**

I cannot provide a number on that -- Mutlu, but I can repeat what we said at the Capital Markets Day that a move to more stringent emissions and moving to real driving emission conditions is making emissions more stringent. It's positive for the catalyst industry because it's driving complexity and value of the systems to be installed.

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**Operator**

Stephanie Bothwell, Merrill Lynch.

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**Stephanie Bothwell - Merrill Lynch - Analyst**

Most of my questions have hopefully -- might have been answered, but perhaps just one follow-up on metal prices and hedging. We heard in the earlier part of the year that you had hedged a significant portion of your metal price exposure for 2015. I just want to check in on over the course of the last few months whether or not you had indeed hedged any additional exposure for the 2016 period?

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**Marc Grynberg - Umicore NV - CEO**

So Stephanie, no, we have not made any significant changes to our hedging portfolio when it comes to 2016.



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**Stephanie Bothwell - Merrill Lynch - Analyst**

That's great. Thank you.

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**Operator**

Joe Dewhurst, UBS.

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**Joe Dewhurst - UBS - Analyst**

Just one question. Just on the e-buses or the electric buses situation that you mentioned the Capital Markets Day, just will you -- just more kind of an update on that, what kind of cities are trying it and how significant could it be, I mean, this is something that could be rolled out right across China? And then also on that would this be a draw potentially on NMC technology or could it be maybe more favoring the lithium iron phosphate do you think?

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**Marc Grynberg - Umicore NV - CEO**

I cannot give you a list of cities doing that now. It's just that it's a trend that an increasing number of municipalities in China are making their bus fleet cleaner and in doing so are embracing the electric -- electrified drive-train technologies. And as part of that I would say that NMC is a chemistry that is -- that has a significant position in terms of technology choices.

This being said, it's not the only one and indeed some bus fleets are using lithium iron phosphate. But that is -- fits better I would say hybrid technology than full electric technology because of the energy density and the drive range -- the driving range that comes with it.

So it's -- you have a number of competing technologies there, but I would say that NMC has a position of choice in that service segment.

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**Joe Dewhurst - UBS - Analyst**

And would you say -- I mean from a kind of a growth significance, would you say that this could become very significant next year just from a growth trajectory point of view, I mean, could it be as much as what you think from the pull from automotive?

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**Marc Grynberg - Umicore NV - CEO**

Well, the effect in terms of growth rates are already visible this year. I do not expect that to give us yet another boost in the coming years. I expect the trend to continue. In terms of if you look at the long term, of course for the body of material, the quantity of material, the share of volume material that is required for every single bus that is being made is huge compared to a plug-in hybrid or an electric car. But if you look at the long term trends the number of cars that will be built with electrified drive-trains will outweigh the unit requirements for a bus in a way.

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**Operator**

Wim Hoste, KBC Securities.

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**Wim Hoste - KBC Securities - Analyst**

I have two questions on recycling. First, can you discuss the -- yes, the competitiveness for the various supply streams? I think like spent autocats have been quite competitive for quite a while, but can you maybe elaborate on the various key streams, how competitive pressure is developing, and then certainly that question with regards to PGM rich material?



And second question is on the operations scheme for Hoboken. You now did two large shutdowns earlier this year. Would there be any additional need for maybe smaller shutdowns in the next few months or quarters to maybe fine-tune things or are you now for let's say a period of 12 to 18 months without significant maintenance shutdowns?

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**Marc Grynberg - Umicore NV - CEO**

So first of all in terms of competitive pressure, you may recall that during the Capital Markets Day, I mentioned that actually the competitive pressure on prices was somewhat different in the low price environment because when the cake gets smaller for everyone, every stream of supply is under a higher scrutiny. And that's something that we've started to see that many or several of our competitors start to see that they are not making money with many of the recycling streams that they are addressing, and they have to become somewhat more selective.

And so I would expect that that dynamic of a challenging competitive pressure because of everybody operating in a low price environment will lay out in the future and will help us in the future because several of our competitors will no longer be in a position to continue to do what they have been doing which is being very aggressive on prices and because that leads them now to losing money.

In terms of the operating conditions for the Hoboken facility, we are planning to have one shutdown in the course of next year as indicated during the Capital Markets Day, there is still one piece of investment that has to be done to complete the EUR100 million investment program and the capacity expansion program.

So that will be done in the context of one shutdown in the course of next year. There may be some regular short and nothing out of the ordinary shutdowns in the course of next year to fine-tune how the facility works, but I do not expect that to be of any materiality.

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**Operator**

Thank you. That will conclude the Q&A session today as there are no further questions. I will now hand the call back to Mr. Grynberg for any additional or closing remarks.

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**Marc Grynberg - Umicore NV - CEO**

Yes. And at this point I would like to thank you for attending this conference call. And I would like to invite you to raise any follow-on questions to our Investor Relations team. So Evelien will be available to answer your call and make sure that we provide a response to your questions and help you update your models as the need may arise. So thank you and have a nice day and talk to you soon. Bye-bye.

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**Operator**

Thank you sir. Thank you ladies and gentlemen. That will conclude today's conference call. Thank you for your participation. You may now disconnect.

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