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# HALF YEAR RESULTS 2020

## Strong performance in Recycling offset COVID-19 impact in Catalysis and Energy & Surface Technologies

Against the backdrop of severe disruptions to society and business caused by the COVID-19 pandemic, Umicore demonstrated its resilience to extreme shocks and the complementarities of its business activities. In the first half of 2020 Umicore achieved financial results broadly in line with those of the same period in 2019, with a very strong performance in Recycling offsetting the impact of the downturn in the automotive industry on the results of Catalysis and Energy & Surface Technologies.

Umicore revenues for the first 6 months amounted to € 1.6 billion (-4% year on year) and the adjusted EBIT[1] amounted to € 243 million, up 1% compared to the first half of 2019. Adjusted EBITDA increased 5% to € 376 million.

Revenues were down in Catalysis, albeit less than the contraction in the global car market, as Umicore continued to outperform in China. Due to car OEMs assembly line shutdowns, Umicore had to stop production at the majority of its automotive catalyst plants for several weeks and this had a severe impact on earnings.

Revenues in Energy & Surface Technologies were impacted by a contraction of the global EV market as well as lower activity levels in other key end-markets. The revenue and volume drop, in combination with higher fixed costs related to the recent and ongoing expansions, had a significant negative operating leverage effect.

Recycling recorded strong results reflecting increased activity levels, higher metal prices and favorable trading conditions. In addition, Precious Metals Refining benefitted from a supportive supply environment and a higher availability of the Hoboken smelter compared to the first half of 2019, when the smelter underwent an extended planned maintenance shutdown of 7 weeks.

## Umicore's immediate response to the COVID-19 crisis

### Keeping our people healthy and ensuring safe working conditions

Umicore introduced strict hygiene and other precautionary measures in its facilities worldwide in response to the COVID-19 pandemic and a dedicated task force continues to monitor its operations globally with a focus on protecting employees' health.

[1] In order to align with the ESMA guidelines on Alternative Performance Measures ("APMs") Umicore is renaming the reference of "recurring" in its APMs as "adjusted" and the reference of "non-recurring" as "adjustments". The definitions of the concerned APMs remain unchanged and can be consulted on https://www.umicore.com/en/investors/financial-data/glossary/. For example, recurring EBIT is henceforth called "adjusted EBIT" and non-recurring EBIT is henceforth called "EBIT adjustments".

### Preserving cash

Several measures were launched at the beginning of the pandemic to reduce costs, optimize working capital and delay certain investments. Umicore rapidly adjusted its production capacity where needed and furloughed part of its workforce where applicable. Meanwhile, all production plants have resumed operations and most furloughed employees have returned to work. Umicore's Supervisory Board also decided to reduce the 2019 dividend to € 0.375 per share, as opposed to the initial proposal of € 0.75 per share. Swift and consistent implementation of these measures, combined with strong cash flows in Recycling, allowed Umicore to generate free cashflows from operations of € 108 million, well up compared to previous years, despite reduced activity levels.

## Umicore's longer-term response to the COVID-19 crisis

### Further strengthening of funding structure and liquidity

Over the period, Umicore further strengthened and diversified its funding structure by issuing € 500 million in convertible bonds due 2025 and concluding an 8-year loan agreement with the European Investment Bank for an amount of € 125 million. Umicore has ample liquidity with € 1.2 billion of cash and equivalents on the balance sheet at 30 June 2020 and approximately € 1 billion of additional committed undrawn credit lines from core relationship banks. Its long-term debt profile has no material maturities prior to 2023.

### Reassessing operations and value of assets

Considering the unforeseen disruptions caused by COVID-19 in several of its key end-markets, Umicore is reassessing its production footprint as well as the carrying value of certain assets. As part of this assessment, Umicore decided to consolidate its North American automotive catalyst production activities in Burlington, Canada and discontinue its automotive catalyst production in Tulsa, USA. Umicore has also impaired certain tangible and intangible assets. As Umicore continues to reassess its footprint and monitor the value of certain assets, additional cash and non-cash adjustments may be required in the second half of the year of a similar or somewhat higher size than those booked in the first half.

## KEY FIGURES

**Revenues of € 1.6 billion** (-4%)

**Adjusted EBITDA of € 376 million** (+5%)

**Adjusted EBIT of € 243 million** (+1%)

**EBIT adjustments of - € 72 million,** primarily comprising impairments and restructuring charges

**ROCE of 10.9%**
(compared to 12.3% in first half 2019)

Adjusted net profit (Group share) of **€ 148 million** (-2%) and adjusted EPS of € 0.62 (-2%)

**Cashflow from operations** of **€ 275 million** (€ 308 million in first half 2019), including a **€ 72 million increase** in **working capital requirements** from higher precious metals and PGM prices; **free cashflow from operations**[2] of **€ 108 million** (€ 50 million in first half 2019)

Capital expenditure plans were adjusted in the beginning of the pandemic and capex spend amounted to **€ 152 million** (€ 241 million in first half of 2019)

**Net debt at € 1,349 million**, down from € 1,443 million at the end of 2019. This corresponds to a **Net debt/ LTM adj. EBITDA ratio of 1.75x**.

The Supervisory Board decided to pay out an **interim dividend** of € 0.25 per share on 25 August.

[2] Free cashflow from operations = Cashflow generated from operations – capex – capitalized development expenses.
Note: All comparisons are made with the first half of 2019, unless mentioned otherwise

## Growth drivers intact in clean mobility materials and recycling

The COVID-19 pandemic has caused an unprecedented and sudden shock to the automotive industry and the overall economy globally. Despite short-term challenges and limited visibility on the course of the market recovery, the long-term drivers supporting Umicore's growth strategy remain intact.

While the global EV market is facing significant short-term headwinds, the mid-term outlook for electrification remains very promising. The current crisis does not change the need for the world to move towards a more sustainable path, as evidenced by the various government stimuli for cleaner mobility and green initiatives, in China and Europe in particular, Umicore, with its broad materials technology portfolio and production footprint, can play a key role in enabling the transition to zero-emission mobility.

In addition, tightening emission norms continue to be on the agenda in key regions, confirming the need for more complex automotive catalyst technologies going forward.

Finally, the closed-loop business model of Umicore offers a much needed answer to resource scarcity and a path towards a more circular economy.

With its portfolio of complementary activities, prudent liquidity management and disciplined investment approach, Umicore is well equipped to maintain its strategic course and emerge stronger from the current crisis.

## Outlook

Given the current evolution of the pandemic and the uncertainty it creates in Umicore's key end-markets, it remains impossible to provide a reliable quantified outlook for 2020. Notwithstanding the very limited market visibility, Umicore continues to expect its full year adjusted EBIT to be below the levels reached in 2019, with the adjusted EBIT in Catalysis and Energy & Surface Technologies well below the levels of 2019 and the adjusted EBIT in Recycling well above the levels of 2019.

Based on the market developments in the first half and recent trends, Umicore continues to expect global car production to be down by approximately 25% for the full year. In this scenario, revenues and adjusted EBIT in Catalysis in the second half would be well above those of the first half. However, the ongoing uncertainty caused by the pandemic and the weak consumer confidence make it impossible to predict market developments.

In Energy & Surface Technologies Umicore expects inventory corrections in the rechargeable battery supply chain in the second half to exacerbate the impact of weak trading conditions across business units. Adjusted EBIT in the second half is therefore likely to be below the levels of the first half.

In Recycling, the first half performance should not be extrapolated to the second half, with the Hoboken smelter undergoing a 4-week planned maintenance shutdown and seasonality effects in other businesses.

*“Despite the brutal effects on society and industry of the COVID-19 pandemic, Umicore showed great resilience and turned in a solid performance in the first half of 2020, demonstrating the complementarities of our businesses and showing the agility and determination of our workforce. I would like to express my immense gratitude to all those who have fought the pandemic on the front lines as well as to all Umicore employees who have adjusted to very challenging conditions in order to ensure the best possible business continuity. Umicore has ensured healthy and safe working conditions for its personnel and protected the financial health of the company with cost savings, reassessment of our industrial footprint, and increased liquidity. Our long-term strategic drivers remain intact and I am confident we will return to growth in clean mobility and recycling as we emerge from the pandemic.”*

**Marc Grynberg,**
CEO of Umicore

**Investors relations**
https://www.umicore.com/en/investors/

**Webcast**
http://umicore.com/hyr2020

**www.umicore.com**

## Key figures

| (in million €) | H1 2019 | H2 2019 | H1 2020 |
|---|---|---|---|
| Turnover | 7,581 | 9,904 | 9,967 |
| Revenues (excluding metal) | 1,634 | 1,726 | 1,564 |
| Adjusted EBITDA | 357 | 396 | 376 |
| Adjusted EBIT | 240 | 269 | 243 |
| of which associates | 6 | 5 | 3 |
| EBIT adjustments | (3) | (26) | (72) |
| Total EBIT | 236 | 243 | 171 |
| Adjusted EBIT margin | 14.3% | 15.3% | 15.3% |
| Effective adjusted tax rate | 23.8% | 25.5% | 24.3% |
| Adjusted net profit, Group share | 151 | 161 | 148 |
| Net profit, Group share | 148 | 139 | 91 |
| R&D expenditure | 108 | 102 | 107 |
| Capital expenditure | 241 | 312 | 152 |
| Net cash flow before financing | (3) | (268) | 88 |
| Total assets, end of period | 6,217 | 7,023 | 7,811 |
| Group shareholders' equity, end of period | 2,589 | 2,593 | 2,609 |
| Consolidated net financial debt, end of period | 1,059 | 1,443 | 1,349 |
| Gearing ratio, end of period | 28.6% | 35.2% | 33.6% |
| Net debt / LTM adj. EBITDA | 1.49x | 1.92x | 1.75x |
| Capital employed, end of period | 3,975 | 4,442 | 4,453 |
| Capital employed, average | 3,888 | 4,208 | 4,447 |
| Return on capital employed (ROCE) | 12.3% | 12.8% | 10.9% |
| Workforce, end of period (fully consolidated) | 10,725 | 11,152 | 10,938 |
| Workforce, end of period (associates) | 3,203 | 2,976 | 2,801 |
| Accident frequency rate | 4.69 | 4.60 | 1.33 |
| Accident severity rate | 0.16 | 0.16 | 0.05 |

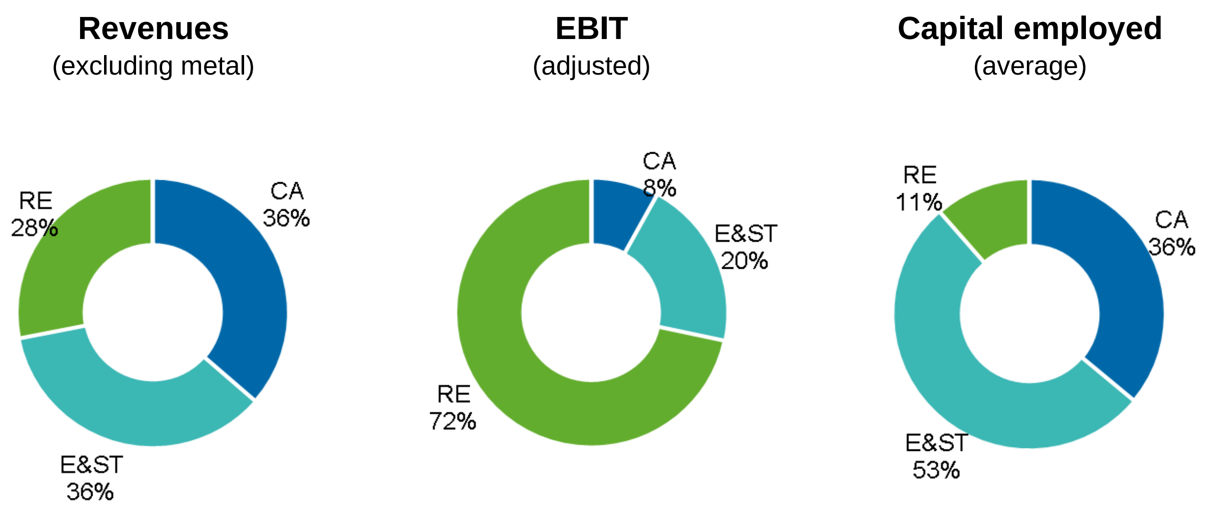
## Key figures per share

(in € / share)

| | H1 2019 | H2 2019 | H1 2020 |
|---|---|---|---|
| Total number of issued shares, end of period | 246,400,000 | 246,400,000 | 246,400,000 |
| of which shares outstanding | 240,530,295 | 240,775,450 | 240,534,940 |
| of which treasury shares | 5,869,705 | 5,624,550 | 5,865,060 |
| Average number of shares outstanding | | | |
| basic | 240,505,946 | 240,609,345 | 240,566,547 |
| diluted | 242,022,202 | 241,963,454 | 241,852,769 |
| Adjusted EPS | 0.63 | 0.67 | 0.62 |
| Basic EPS | 0.62 | 0.58 | 0.38 |
| Diluted EPS | 0.61 | 0.58 | 0.38 |
| Dividend payout* | 0.375 | 0.375 | 0.000 |
| Net cash flow before financing, basic | -0.01 | -1.11 | 0.37 |
| Total assets, end of period | 25.85 | 29.17 | 32.47 |
| Group shareholders' equity, end of period | 10.76 | 10.77 | 10.84 |

* On 30 April 2020 the ordinary shareholders' meeting approved the proposal of Umicore's Supervisory Board to reduce the dividend in respect of the full year 2019 to € 0.375 per share, which corresponded to the amount of the interim dividend of € 0.375 per share which was already paid out in the second half of 2019. As a result of this decision, there was no dividend payout in the first half of 2020.

## Segment split




CA = Catalysis, E&ST = Energy & Surface Technologies, RE = Recycling
Corporate not included

# Catalysis

| **Catalysis key figures** (in million €) | **H1 2019** | **H2 2019** | **H1 2020** |
|---|---|---|---|
| Total turnover | 1,998 | 2,542 | 2,388 |
| Total revenues (excluding metal) | 717 | 743 | 571 |
| Adjusted EBITDA | 124 | 139 | 61 |
| Adjusted EBIT | 87 | 99 | 21 |
| Total EBIT | 87 | 98 | (34) |
| Adjusted EBIT margin | 12.1% | 13.3% | 3.8% |
| R&D expenditure | 77 | 69 | 72 |
| Capital expenditure | 45 | 59 | 32 |
| Capital employed, end of period | 1,315 | 1,537 | 1,560 |
| Capital employed, average | 1,290 | 1,426 | 1,549 |
| Return on capital employed (ROCE) | 13.4% | 13.8% | 2.8% |
| Workforce, end of period (fully consolidated) | 3,149 | 3,190 | 3,034 |

## Overview and outlook

Catalysis recorded revenues of € 571 million, down 20% year on year, due to the unprecedented disruptions caused by COVID-19 in the automotive industry globally, with widespread factory shutdowns and car sales plunging. Performance in Catalysis started to reflect the impact of the pandemic in February in China and as from mid-March in other key regions, with the full impact being felt in the second quarter. As automotive customers were shutting down their assembly lines, Umicore closed down the majority of its automotive catalyst plants, some for more than 10 weeks, followed by several weeks of reduced production levels. This had a severe impact on earnings, despite the implementation of cost mitigating measures. Adjusted EBIT for the first 6 months amounted to € 21 million and adjusted EBITDA amounted to € 61 million, down by 75% and 51% year on year respectively.

Based on the market developments in the first half and recent trends, Umicore continues to expect global car production to be down by approximately 25% for the full year. In this scenario, revenues and adjusted EBIT in Catalysis in the second half would be well above those of the first half. However, the ongoing uncertainty caused by the pandemic and the weak consumer confidence make it impossible to predict market developments. For the full year, Umicore continues to expect that adjusted EBIT will be well below the levels of 2019.

## H1 2020 Business Review

The COVID-19 pandemic has caused an unprecedented downturn in the automotive industry, with global car production in the first 6 months of 2020 contracting by 35% year on year. In February the virus outbreak impacted car production and demand firstly in China and, as from mid-March, in the rest of the world. Car OEMs were forced to shut down their assembly lines and close their dealerships as local and national governments imposed lock-down measures to contain the further spread of the virus. Following the widespread shutdown of assembly lines by its automotive customers, Umicore also temporarily shut down 10 of its 16 automotive catalyst plants. Production continued in its plants in China, Korea and Japan, albeit at a reduced pace.

Automotive OEMs resumed production in China in March, followed by Europe towards the end of April and North America as of mid-May. Umicore ramped up its catalyst production accordingly and in line with the pace of the market recovery in the respective regions.

In China, the market recovery started earlier than in the rest of the world and was remarkably strong with car production in the second quarter up 7% year on year. This was in sharp contrast with the rest of the world, where the full impact of COVID-19 was felt in the second quarter and car sales picked up only modestly after lock-down measures were eased. In Europe and North America for example, car production in the second quarter was down 66% and 72% year on year respectively, and South America, where the virus is still peaking, showed a decline of 82% over the same period.

As anticipated, revenues for **Automotive Catalysts** in the first half of 2020 were well below the levels of the prior year due to the severe impact of the COVID-19 pandemic on the automotive industry globally. Umicore’s automotive catalyst volumes and revenues were somewhat less affected than the global car market though, as Umicore continued to outperform the market in China due to its strong exposure to international car manufacturers and share gains with local brands. In all other regions, Umicore’s revenues and volumes developed in line with the respective car markets.

The COVID-19 pandemic also weighed severely on the global heavy-duty diesel segment. Umicore’s volumes and revenues in this segment were impacted less than the market due to higher demand for its China V technologies. The previous decision to bring forward the nationwide roll-out of the China VI standards to July 2020 has been reversed and is now again due in July 2021.

Revenues for **Precious Metals Chemistry** were down year on year as a result of the severe downturn in the automotive industry and the related drop in demand for inorganic chemicals used in automotive applications. Sales of active pharmaceutical ingredients, however, increased as the business unit had successfully extended its customer base in different regions in 2019. Revenues from fuel cell catalysts used in the transportation segment were also higher following the production ramp-up of Umicore’s new facility in Korea since October 2019. Demand for Umicore’s homogeneous catalysts used in pharmaceutical applications was stable.

# Energy & Surface Technologies

| **Energy & Surface Technologies key figures** (in million €) | **H1 2019** | **H2 2019** | **H1 2020** |
|---|---|---|---|
| Total turnover | 1,414 | 1,524 | 1,460 |
| Total revenues (excluding metal) | 607 | 618 | 557 |
| Adjusted EBITDA | 143 | 128 | 109 |
| Adjusted EBIT | 102 | 81 | 54 |
| of which associates | 2 | 4 | 2 |
| Total EBIT | 97 | 57 | 43 |
| Adjusted EBIT margin | 16.5% | 12.5% | 9.3% |
| R&D expenditure | 21 | 24 | 23 |
| Capital expenditure | 147 | 200 | 82 |
| Capital employed, end of period | 1,982 | 2,324 | 2,190 |
| Capital employed, average | 1,876 | 2,153 | 2,257 |
| Return on capital employed (ROCE) | 10.8% | 7.5% | 4.8% |
| Workforce, end of period (fully consolidated) | 3,551 | 3,997 | 3,981 |
| Workforce, end of period (associates) | 766 | 751 | 741 |

## Overview and outlook

Revenues in Energy & Surface Technologies amounted to € 557 million, down 8% compared to the first half of 2019. This was due to the impact of COVID-19 on EV sales globally and on the activity levels in other end-markets of the business group. This impact, which was increasingly pronounced in the second quarter, was only partly offset by the positive contribution of the recently acquired cobalt refining and cathode precursor activities in Kokkola, Finland. The revenue and volume drop, in combination with higher fixed costs related to recent and ongoing expansions, created a significant negative operating leverage. As anticipated, adjusted EBIT for the first 6 months of 2020 remained well below the levels of the same period in the previous year and amounted to € 54 million. Adjusted EBITDA amounted to € 109 million, down 23% year on year.

While the regulatory backdrop provides clear support for an accelerated adoption of EVs in the mid- to long-term, in China and Europe in particular, the recovery rate of global EV sales in the short term will depend on the end consumers' propensity to buy cars, particularly in view of the evolution of the pandemic, including possible new contagion peaks. The short-term visibility on EV demand therefore remains extremely limited.

Despite this limited visibility, Umicore expects inventory corrections in the rechargeable battery supply chain in the second half to exacerbate the impact of weak trading conditions across business units. Adjusted EBIT in the second half is therefore likely to be below the levels of the first half. For the full year, Umicore continues to expect that adjusted EBIT will be well below the levels of 2019.

## H1 2020 Business Review

Notwithstanding a strong first quarter in 2020, revenues in **Rechargeable Battery Materials** for the first half of 2020 remained below the level of the same period in 2019 due to the impact of the COVID-19 pandemic. This was partly offset by the positive contribution of the cobalt refining and cathode precursor activities in Finland acquired in December 2019, despite lower refining volumes and a subdued cobalt price. Overall sales volumes of cathode materials for the first half of 2020 were below the level of the same period last year, with a contrasted performance between a strong first quarter driven primarily by demand for EVs in Europe and a weak second quarter with the full impact of COVID-19 kicking in. Overall sales volumes were materially lower than expected due to the effect of the pandemic, resulting in unused capacity and a significant negative operating leverage.

The global EV market is profoundly affected by the COVID-19 pandemic and showed a 17% contraction over the first 6 months of 2020 compared to the same period last year. Expressed in GWh of battery demand for automotive applications, the contraction was approximately 25% as full EV sales declined much more than plug-in hybrid sales, the latter requiring on average 5 to 6 times less kWh.

The decline was most pronounced in China (-44% year on year), where NEV sales had already faced severe headwinds since mid-2019. Since the lifting of the lockdown measures, sales of NEVs have improved, although they remain well below the depressed levels of the second half of 2019 while inventory levels remain high.

In response to the impact of the COVID-19 pandemic and the collapse in NEV sales, the Chinese Ministry of Industry and Information Technology (MIIT) announced in March an extension of the NEV subsidy plan from 2020 until end 2022. In June, the MIIT also officially confirmed the mandatory NEV credit targets for the period 2021-2023 (14%, 16% and 18% for each successive year, up from 10% in 2019 and 12% in 2020), underlining its unwavering commitment to push forward electrified transportation in the country.

In Europe, EV sales for the first 6 months were up 49% year on year, albeit from a relatively small base. Unlike in China, where full electric vehicles typically make up around 70 to 80% of EV sales, the proportion of plug-in hybrid vehicles in Europe is growing faster and accounted for close to 50% of EV sales in the first 6 months of 2020. While the European EV market was off to a strong start to the year as car OEMs were expanding their electric offering in anticipation of the new $CO_2$ emission legislation in 2020, EV sales in the second quarter plunged (-36% sequentially) as many showrooms were closed due to COVID-19 lockdown measures.

Despite the COVID-19 recession and numerous other related priorities, Europe remains fully committed to the adoption of electric mobility as evidenced by the European recovery plan which was launched at the end of May and reconfirmed Europe's ambition to achieve zero-emission mobility. Moreover, a number of European countries (Germany, France, Spain) have introduced in their stimulus packages sizeable subsidies for consumers buying electrified vehicles.

Construction of Umicore's greenfield cathode materials production plant in Nysa, Poland incurred some delays due to the restrictions linked to the pandemic and commissioning is now expected in the first half of 2021. In June 2020, Umicore was granted a € 125 million loan by the European Investment Bank to finance part of the construction of the plant. This loan confirms the fit of Umicore's investment with the strategic objectives of the European Union to develop a sustainable and innovative battery value chain in the region. The Nysa plant will support the growth of Umicore's global battery cell and automotive customers in Europe.

Revenues in **Cobalt & Specialty Materials** were below the level of the previous year as, in the second quarter the impact of COVID-19 started to affect activity levels in most of the business unit's end markets.

The cobalt and nickel chemicals and distribution activities had a good start to the year, benefiting from high order levels as customers were building inventories in anticipation of possible supply disruptions due to COVID-19. In the second quarter, however, demand deteriorated rapidly resulting in significantly lower volumes and increasing competitive pressure. Order levels for both carboxylates and tool materials were impacted by a lower demand from the automotive and industrial segments, while revenues and margins in the refining and recycling activities felt the impact of downward-trending cobalt and nickel prices.

Revenues for **Electroplating** were slightly up year on year and continued to benefit in the first months of the year from a strong level of demand for Umicore's technologically advanced precious metal-based electrolytes used in portable electronics. This was partly offset by weaker demand for jewelry and decorative applications as the economic slowdown started to impact customers' consumption.

Revenues for **Electro-Optic Materials** were roughly stable year on year. Higher revenues from finished infrared optics and thin film products for the microelectronics industry were offset by lower demand for high purity chemicals used in optical fibers, as several customers had to temporarily shut down their operations because of the COVID-19 lockdown measures.

# Recycling

## Recycling key figures

| (in million €) | H1 2019 | H2 2019 | H1 2020 |
|---|---|---|---|
| Total turnover | 4,705 | 6,615 | 6,990 |
| Total revenues (excluding metal) | 313 | 368 | 440 |
| Adjusted EBITDA | 107 | 143 | 222 |
| Adjusted EBIT | 76 | 112 | 191 |
| Total EBIT | 78 | 112 | 190 |
| Adjusted EBIT margin | 24.4% | 30.4% | 43.4% |
| R&D expenditure | 4 | 4 | 6 |
| Capital expenditure | 39 | 43 | 28 |
| Capital employed, end of period | 482 | 405 | 578 |
| Capital employed, average | 514 | 444 | 492 |
| Return on capital employed (ROCE) | 29.7% | 50.4% | 77.7% |
| Workforce, end of period (fully consolidated) | 2,931 | 2,849 | 2,790 |

## Overview and outlook

Recycling recorded strong results in the first half of 2020 with all business units contributing to this performance as a result of increased activity levels, higher metal prices and favorable trading conditions. In addition, the business unit Precious Metals Refining benefitted from a supportive supply environment and higher availability of the Hoboken smelter compared to the first half of 2019, when the smelter underwent an extended planned maintenance shutdown of 7 weeks. Recycling revenues were up 40% and amounted to € 440 million, adjusted EBIT close to tripled to € 191 million and adjusted EBITDA more than doubled to € 222 million.

Despite the overall uncertain macro-economic context, Umicore already has a good degree of visibility on the business group's second half performance, as it has locked in a substantial portion of its exposure to certain PGMs and precious metals. While the business unit Precious Metals Refining should also continue to benefit from favourable supply conditions in the second half of the year, the availability of the smelter is impacted by the 4-week planned maintenance shutdown occurring in July. In addition, certain seasonality effects are anticipated in the other business units. While the first half performance should therefore not be extrapolated to the second half, adjusted EBIT for the full year 2020, is expected to be well above the level of last year.

## Lead in blood levels around the Hoboken plant

The Hoboken recycling plant is adjacent to a residential area. Every six months the lead in blood levels of children living close to the plant are monitored and unfortunately the early July readings showed elevated lead in blood readings as opposed to the historically low 2019 levels. This sudden increase came unexpectedly after multiple years of steady decreases following Umicore's environmental investments in Hoboken which significantly reduced emissions of the plant. Emissions as measured by both the authorities and Umicore were well below the legal norm and there was no indication that such an increase in lead in blood values would occur.

Umicore is now investigating potential causes that may have led to these higher readings and is forming a taskforce with the municipality to explore sustainable solutions, including the possibility of making an offer to buy certain houses closest to the plant. In parallel, Umicore is continuing to execute the investment program launched several years ago aimed at further reducing emissions.

## H1 2020 Business Review

Revenues and earnings for **Precious Metals Refining** in the first half of 2020 were substantially higher year on year as they benefited from a combination of higher processed volumes, supportive metal prices and a favorable supply mix.

While complying with strict sanitary and precautionary measures, the Hoboken plant was able to continue operations safely during the pandemic with minimal impact on processed volumes. The fire incident, which occurred in March in the lead refinery, did not materially affect the overall throughput of the plant. Finally, processed volumes benefited from a higher availability of the Hoboken smelter and were well up compared with the same period last year when the smelter underwent an extended planned maintenance shutdown of 7 weeks.

Despite certain mining operations being affected by government mandated shutdowns as a result of COVID-19, supply conditions in the industrial by-products segment remained robust. The availability of complex end-of-life materials also continued to be strong over the period, in particular for spent automotive catalysts, and the business unit took full advantage of its technological capabilities and past investments to maximize the intake of these complex materials and optimize its input mix.

The performance of the business unit further benefited from a favorable metal price environment in the first half of the year with marked increases in the prices of gold, palladium and, in particular, rhodium which reached record levels during the period. Umicore had already hedged a significant portion of its exposure to some of these metals in 2019 and could therefore only partially benefit from the rise of the prices for these metals over the period. However, it was fully exposed to the increase of the rhodium price, as this metal has no liquid futures market that allows for hedging.

Revenues for **Jewelry & Industrial Metals** increased compared to the previous year, with strong demand for refining services from the jewelry industry in the first months of the year as well as high order levels for gold and silver investment products which benefited from safe-haven buying. This more than offset the impact of COVID-19 on demand for jewelry, industrial products and glass applications.

The earnings contribution from **Precious Metals Management** increased substantially compared to the previous year, primarily reflecting favorable trading conditions for precious metals and certain PGMs. Order levels for the physical delivery of metals were also well up, benefitting from strong demand for gold and silver bars from the investment industry.

# Corporate

| **Corporate key figures** (in million €) | **H1 2019** | **H2 2019** | **H1 2020** |
|---|---|---|---|
| Adjusted EBITDA | (18) | (14) | (17) |
| Adjusted EBIT | (25) | (22) | (24) |
| of which associates | 5 | 1 | 1 |
| Total EBIT | (25) | (25) | (29) |
| R&D expenditure | 5 | 5 | 6 |
| Capital expenditure | 10 | 9 | 10 |
| Capital employed, end of period | 196 | 176 | 125 |
| Capital employed, average | 209 | 186 | 150 |
| Workforce, end of period (fully consolidated) | 1,094 | 1,116 | 1,133 |
| Workforce, end of period (associates) | 2,437 | 2,225 | 2,060 |

## H1 2020 Corporate Review

Corporate costs decreased compared to the previous year reflecting lower variable remuneration costs, cost savings and the delay in implementation of certain projects.

The contribution from **Element Six Abrasives** to Umicore's adjusted EBIT decreased substantially compared to the previous year. Activity levels in the oil and gas drilling activity as well as the demand for precision tooling products used in automotive and aerospace applications, were severely impacted by the COVID-19 crisis and this could not be fully offset by cost savings and efficiency measures. Market conditions are foreseen to remain challenging, which is expected to substantially affect the full year contribution to Umicore's results compared to prior year.

## Research & development

For the first six months of 2020, R&D expenditures in fully consolidated companies amounted to € 107 million, stable compared to the same period in 2019. Catalysis and Energy & Surface Technologies continued to account for the vast majority of R&D spending and most projects focused on developing new product technologies enabling the transition to cleaner mobility. The R&D spend represented 7% of revenues and capitalized development expenses accounted for € 15 million of the total.

## People

Umicore's top priority is the health and safety of its employees. Umicore introduced in all facilities worldwide strict hygiene and other precautionary measures in response to the COVID-19 pandemic and a dedicated task force has been monitoring operations globally with a focus on protecting employees' health.

Safety performance is improving significantly in 2020. In the first half of the year, Umicore recorded 13 lost time accidents compared to 45 for the same period in 2019, resulting in a frequency rate of 1.33 (4.69 in the first six months of 2019). The severity rate also decreased from 0.16 to 0.05.

In recent years, the safety performance was unsatisfactory in a limited number of business units and sites despite the priority given by management and Umicore's pursuit of an accident-free workplace. In this context, several additional initiatives were launched to strengthen the safety culture and ensure a safe working environment on all sites. These initiatives comprise the launch of additional targeted safety action plans with an increased emphasis on behavioural change involving all production employees, safety managers, social partners and plant management. Regular safety inspections are made by management and supervisors who also carry out a careful review and strengthening of the cardinal safety rules which have to be complied with at all times.

Umicore will continue to roll out initiatives to further promote safe behaviour, including the integration of safety behaviour in all leadership training programs and the organisation of mandatory risk competency trainings for all Umicore employees. Umicore is also assessing additional measures such as safety inspections and evaluation criteria to increase personal engagement towards safety.

The number of employees in the fully consolidated companies decreased from 11,152 at the end of 2019 to 10,938 at the end of June 2020. This decrease results primarily from the closure of the cobalt, nickel and rhenium refining and recycling plant in Wickliffe, USA as well as the closure of the automotive catalyst production plant in Tulsa, USA.

# Financial review

## Financial result and taxation

Net financial charges totalled € 45 million, up from € 39 million in the same period last year due to higher net interest charges as a result of higher financial debt. Higher interest charges were partly offset by lower forex costs.

The adjusted tax charge for the period amounted to € 47 million, stable compared with the same period last year despite substantial changes in the underlying regional result distribution. A stable adjusted taxable base for the group was combined with a similar adjusted effective group tax rate of 24.3% (compared to 23.8% in the same period last year). The total tax paid in cash over the period amounted to € 28 million, which is substantially lower than the same period last year.

## Cashflows

Cashflow generated from operations, including changes in net working capital, amounted to € 275 million, compared to € 308 million for the same period last year. After deduction of € 167 million of capital expenditures and capitalized development expenses, this corresponds to a free cash flow from operations over the period of € 108 million, more than doubling year on year and demonstrating the resilience of the Group's cash flows, even in this challenging market context.

Adjusted EBITDA was € 376 million compared to € 357 million in the same period last year, corresponding to an adjusted EBITDA margin for the Group of 23.8%, up versus 21.4% in the same period last year and driven by the strong performance in Recycling.

Net working capital for the Group increased by € 72 million since the end of 2019, corresponding to an increase of less than 4%. Working capital needs increased in Catalysis and Recycling due to strong year-on-year price increases in precious metals and in PGM prices in particular, as well as some temporary increase in Precious Metal Refining. Energy & Surface Technologies reported a decrease in working capital needs year on year due to subdued sales volumes and metal prices.

Capital expenditures totalled € million, compared with € 241 million in the same period last year. This reduction reflects the decision taken shortly after the start of the COVID-19 outbreak to restrict non-strategic project spending with the exception of safety and license to operate investments, awaiting more clarity on market outlook. Taking into account the continued investment in Rechargeable Battery Materials' greenfield plant in Poland, Energy & Surface Technologies accounts for more than half of the Group's first half year capex. This strategic project is expected to raise capex in the second half of this year to levels well above those of the first half. Capitalized development expenses amounted to € 15 million compared to € 17 million in the same period of last year.

The net cash outflow related to the exercise of options and the purchase of treasury shares to cover options plans and share grants was € 29 million.

## Financial debt

In June, Umicore concluded a € 125 million 8-year loan with the European Investment Bank to finance part of Umicore's investment in the cathode materials plant in Poland. Also in June, Umicore successfully completed its first convertible bond offering for an amount of € 500 million due in 2025. The proceeds of both instruments are included in the € 1,175 million cash and equivalents on balance sheet at 30 June 2020. Together with substantial undrawn committed bank lines, these funds provide Umicore with ample liquidity to pursue its strategy in the current market context.

Net financial debt at 30 June 2020 stood at € 1,349 million, down from € 1443 million at the end of 2019. About half of the decrease originates from the IFRS treatment of the € 500 million convertible bond, whereby the value of the embedded conversion rights is booked under equity. Net financial debt at the end of the period corresponded to 1.75x LTM adjusted EBITDA. Group shareholders' equity was € 2,609 million, including the above-mentioned value of the convertible bond's conversion rights, corresponding to a net gearing ratio (net debt / net debt + equity) of 33.6% compared to 35.2% at the end of 2019.

## EBIT adjustments

Adjustments had a negative impact of € 72 million on EBIT over the period of which € 48 million have a non-cash nature. Of the total € 72 million, € 55 million were related to Catalysis activities while Element Six Abrasives related charges accounted for € 5 million.

In light of the unforeseen disruptions caused by the COVID-19 pandemic, Umicore is reassessing its production footprint as well as the value of certain tangible and intangible assets. As a result of this reassessment, Umicore decided to consolidate the North American automotive catalyst production activities in Burlington, Canada and to discontinue the automotive catalyst production in Tulsa, USA. Together with other measures such as in Element Six Abrasives, restructuring initiatives accounted for a combined charge of € 31 million out of the € 72 million total adjusted items. Umicore also assessed the carrying value of selected assets following the impact of COVID-19 on the underlying businesses. This resulted in a combined charge of € 31 million of which € 24 million relating to intangible assets (such as capitalized development costs or specific license agreements) and € 7 million relating to tangible assets.

As Umicore continues to reassess its footprint and monitor the value of certain assets, additional cash and non-cash adjustments may be required in the second half of the year of similar or somewhat higher size than those booked in the first half.

## Hedging

Over the course of the first half of 2020, Umicore entered into additional forward contracts, further securing a substantial portion of its structural future price exposure to certain precious metals, providing increased earnings visibility. For 2020 the bulk of its exposure related to these metals has been locked-in. In addition, for gold and palladium, Umicore locked-in more than half of its 2021 exposure as well as part of that of 2022. Umicore also hedged a portion of its silver and platinum exposure for the coming years. In the absence of a liquid futures market, no forward contracts were entered into for rhodium.

## Dividend and shares

The Supervisory Board decided to pay out an interim dividend for the full year 2020 of € 0.25 per share. The interim dividend will be paid out on 25 August 2020.

The total number of issued shares at the end of June is 246,400,000.

Of the 5,624,550 treasury shares held at the end of 2019, 66,430 shares were used for the employee free share program and 893,060 shares were used to honour the exercising of stock options during the period. Umicore also bought back 1,200,000 of its own shares. On 30 June 2020, Umicore owned 5,865,060 treasury shares, representing 2.38% of the total number of shares issued at that date.

# Statutory auditor's report on the review of the consolidated condensed interim financial information for the period ended 30 June 2020

**Introduction**

We have reviewed the accompanying consolidated condensed statement of financial position of Umicore and its subsidiaries (jointly "the Group") as of 30 June 2020 and the related consolidated condensed statement of profit and loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, as well as the explanatory notes. The board of directors is responsible for the preparation and presentation of this consolidated condensed financial information in accordance with IAS 34, as adopted by the European Union. Our responsibility is to express a conclusion on this consolidated condensed financial information based on our review.

**Scope of review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed financial information is not prepared, in all material respects, in accordance with IAS 34, as adopted by the European Union.

Sint-Stevens-Woluwe, 30 July 2020

The statutory auditor

PwC Reviseurs d'Entreprises SRL / Bedrijfsrevisoren BV

Represented by

Kurt Cappoen
Registered auditor

# Management responsibility statement

I hereby certify that, to the best of my knowledge, the consolidated condensed interim financial information for the period ended on 30 June 2020, prepared in accordance with the IAS 34 "Interim Financial Reporting", as adopted by the European Union, and with legal requirements in Belgium, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole for the period ended 30 June 2020. The commentary on the overall performance of the Group from page 1 to 17 includes a fair review of the development and performance of the business and the position of the Group and its undertakings included in the consolidation as a whole.

Brussels, 30 July 2020

Marc Grynberg
Chief Executive Officer

# Consolidated condensed interim financial information for the period ended on 30 June 2020

| **Consolidated income statement** (in million €) | **H1 2019** | **H2 2019** | **H1 2020** |
|---|---|---|---|
| Turnover | 7,581.3 | 9,903.8 | 9,967.3 |
| Other operating income | 67.8 | 53.3 | 71.8 |
| Operating income | 7,649.1 | 9,957.1 | 10,039.0 |
| Raw materials and consumables | (6,674.5) | (8,964.6) | (9,055.2) |
| Payroll and related benefits | (392.6) | (383.3) | (408.3) |
| Depreciation and impairments | (138.9) | (168.7) | (184.4) |
| Other operating expenses | (214.0) | (199.8) | (218.9) |
| Operating expenses | (7,420.1) | (9,716.3) | (9,866.8) |
| Income (loss) from other financial assets | 1.0 | (0.3) | 0.5 |
| **Result from operating activities** | 230.1 | 240.3 | 172.7 |
| Financial income | 1.9 | 2.9 | 0.6 |
| Financial expenses | (26.6) | (29.8) | (33.5) |
| Foreign exchange gains and losses | (14.5) | (17.1) | (11.6) |
| Share in result of companies accounted for using the equity method | 6.0 | 2.7 | (1.9) |
| **Profit (loss) before income tax** | 196.9 | 199.0 | 126.3 |
| Income taxes | (45.5) | (51.2) | (33.9) |
| **Profit (loss) from continuing operations** | 151.4 | 147.8 | 92.4 |
| Profit (loss) of the period | 151.4 | 147.8 | 92.4 |
| of which minority share | 3.1 | 8.3 | 1.5 |
| of which Group share | 148.3 | 139.5 | 90.9 |
| (in € / share) | | | |
| Basic earnings per share from continuing operations | 0.62 | 0.58 | 0.38 |
| Diluted earnings per share from continuing operations | 0.61 | 0.58 | 0.38 |
| Dividend payout per share* | 0.375 | 0.375 | 0.000 |

* On 30 April 2020 the ordinary shareholders' meeting approved the proposal of Umicore's Supervisory Board to reduce the dividend in respect of the full year 2019 to € 0.375 per share, which corresponded to the amount of the interim dividend of € 0.375 per share which was already paid out in the second half of 2019. As a result of this decision, there was no dividend payout in the first half of 2020.

## Consolidated statement of comprehensive income
(in million €)

| | H1 2019 | H2 2019 | H1 2020 |
|---|---|---|---|
| **Profit (loss) of the period from continuing operations** | 151.4 | 147.8 | 92.4 |
| **Items in other comprehensive income that will not be reclassified to P&L** | | | |
| Changes in post employment benefits, arising from changes in actuarial assumptions | (20.9) | (51.0) | (6.3) |
| Changes in deferred taxes directly recognized in other comprehensive income | 6.3 | 13.6 | 1.2 |
| **Items in other comprehensive income that may be subsequently reclassified to P&L** | | | |
| Changes in financial assets at FV through OCI reserves | - | - | (0.5) |
| Changes in cash flow hedge reserves | 3.3 | (31.3) | (24.0) |
| Changes in deferred taxes directly recognized in other comprehensive income | (0.6) | 9.5 | 6.5 |
| Changes in currency translation differences | (0.9) | 10.3 | (74.5) |
| **Other comprehensive income from continuing operations** | (12.8) | (48.9) | (97.6) |
| **Total comprehensive income for the period** | 138.6 | 98.9 | (5.2) |
| of which Group share | 134.8 | 90.5 | (3.4) |
| of which minority share | 3.9 | 8.4 | (1.8) |

## Consolidated balance sheet

| (in million €) | 30/06/2019 | 31/12/2019 | 30/06/2020 |
|---|---|---|---|
| **Non-current assets** | 2,451.3 | 2,810.2 | 2,775.6 |
| Intangible assets | 345.0 | 370.9 | 345.6 |
| Property, plant and equipment | 1,770.9 | 2,094.7 | 2,082.3 |
| Investments accounted for using the equity method | 156.5 | 150.6 | 144.2 |
| Financial assets at fair value through Other Comprehensive Income | 9.2 | 10.9 | 10.5 |
| Loans granted | 2.2 | 2.2 | 2.3 |
| Trade and other receivables | 11.5 | 12.0 | 11.0 |
| Deferred tax assets | 156.1 | 168.9 | 179.7 |
| **Current assets** | 3,765.3 | 4,213.2 | 5,035.1 |
| Loans granted | 3.1 | 0.0 | 0.2 |
| Inventories | 2,102.2 | 2,462.3 | 2,516.6 |
| Trade and other receivables | 1,302.3 | 1,433.7 | 1,304.2 |
| Income tax receivables | 36.7 | 45.4 | 39.1 |
| Cash and cash equivalents | 320.9 | 271.7 | 1,175.1 |
| **Total assets** | **6,216.6** | **7,023.4** | **7,810.7** |
| **Equity of the Group** | 2,637.8 | 2,660.5 | 2,670.2 |
| Group shareholders' equity | 2,588.8 | 2,593.5 | 2,608.7 |
| Share capital and premiums | 1,384.3 | 1,384.3 | 1,384.3 |
| Retained earnings | 1,626.5 | 1,678.4 | 1,766.6 |
| Currency translation differences and other reserves | (233.0) | (284.5) | (331.0) |
| Treasury shares | (189.0) | (184.7) | (211.2) |
| Minority interest | 48.9 | 67.0 | 61.5 |
| **Non-current liabilities** | 1,251.1 | 1,686.8 | 2,265.3 |
| Provisions for employee benefits | 348.9 | 392.7 | 405.4 |
| Financial debt | 755.7 | 1,151.1 | 1,717.4 |
| Trade and other payables | 25.2 | 24.1 | 21.2 |
| Deferred tax liabilities | 5.8 | 11.5 | 14.6 |
| Provisions | 115.5 | 107.5 | 106.7 |
| **Current liabilities** | 2,327.7 | 2,676.1 | 2,875.2 |
| Financial debt | 623.9 | 564.1 | 806.4 |
| Trade and other payables | 1,521.8 | 1,916.3 | 1,870.2 |
| Income tax payable | 95.6 | 131.5 | 147.9 |
| Provisions | 86.4 | 64.2 | 50.7 |
| **Total equity & liabilities** | **6,216.6** | **7,023.4** | **7,810.7** |

## Consolidated statement of changes in the equity of the Group
(in million €)

| | Share capital & premiums | Reserves | Currency translation & other reserves | Treasury shares | Minority interest | Total for continuing operations |
|---|---|---|---|---|---|---|
| **Balance at the beginning of H1 2019** | **1,384.3** | **1,610.8** | **(227.6)** | **(158.1)** | **49.9** | **2,659.3** |
| Change in accounting policies | - | (34.1) | - | - | 0.5 | (33.5) |
| **Restated balance at the beginning of H1 2019** | **1,384.3** | **1,576.7** | **(227.6)** | **(158.1)** | **50.5** | **2,625.7** |
| Result of the period | - | 148.3 | - | - | 3.1 | 151.4 |
| Other comprehensive income for the period | - | - | (13.6) | - | 0.8 | (12.8) |
| Total comprehensive income for the period | - | 148.3 | (13.6) | - | 3.9 | 138.6 |
| Changes in share-based payment reserves | - | - | 8.2 | - | - | 8.2 |
| Capital increase | - | - | - | - | 0.2 | 0.2 |
| Dividend | - | (96.2) | - | - | (5.6) | (101.8) |
| Transfers | - | (2.4) | - | 2.4 | - | - |
| Changes in treasury shares | - | - | - | (33.3) | - | (33.3) |
| **Balance at the end of H1 2019** | **1,384.3** | **1,626.5** | **(233.0)** | **(189.0)** | **48.9** | **2,637.7** |
| Result of the period | - | 139.5 | - | - | 8.4 | 147.8 |
| Other comprehensive income for the period | - | - | (48.9) | - | 0.0 | (48.9) |
| Total comprehensive income for the period | - | 139.5 | (48.9) | - | 8.4 | 98.9 |
| Capital increase | - | - | - | - | 15.3 | 15.3 |
| Dividend | - | (90.2) | - | - | (5.6) | (95.8) |
| Transfers | - | 2.5 | (2.5) | - | - | - |
| Changes in treasury shares | - | - | - | 4.3 | - | 4.3 |
| **Balance at the end of H2 2019** | **1,384.3** | **1,678.4** | **(284.5)** | **(184.7)** | **67.0** | **2,660.5** |

## Consolidated statement of changes in the equity of the Group
(in million €)

| | Share capital & premiums | Reserves | Currency translation & other reserves | Treasury shares | Minority interest | Total for continuing operations |
|---|---|---|---|---|---|---|
| **Balance at the beginning of H1 2020** | **1,384.3** | **1,678.4** | **(284.5)** | **(184.7)** | **67.0** | **2,660.5** |
| Result of the period | - | 90.9 | - | - | 1.5 | 92.4 |
| Other comprehensive income for the period | - | - | (94.4) | - | (3.2) | (97.6) |
| Total comprehensive income for the period | - | 90.9 | (94.4) | - | (1.8) | (5.2) |
| Changes in share-based payment reserves | - | - | 10.1 | - | - | 10.1 |
| Convertible Bond - conversion rights* | - | - | 37.7 | - | - | 37.7 |
| Dividend | - | - | - | - | (3.8) | (3.8) |
| Transfers | - | (2.7) | - | 2.7 | - | - |
| Changes in treasury shares | - | - | - | (29.3) | - | (29.3) |
| **Balance at the end of H1 2020** | **1,384.3** | **1,766.6** | **(331.0)** | **(211.2)** | **61.5** | **2,670.2** |

* The conversion rights embedded in the EUR 500 million convertible bond issued on June 23 2020 were valued at EUR 37.7 million net of transaction costs and deferred taxes. This value according to the IFRS rules will not be remeasured over time, nor at conversion nor at maturity.

## Consolidated cashflow statement

(in million €)

| | H1 2019 | H2 2019 | H1 2020 |
|---|---|---|---|
| Profit (loss) from continuing operations | 151.4 | 147.8 | 92.4 |
| Adjustments for profit of equity companies | (6.0) | (2.7) | 1.9 |
| Adjustment for non-cash transactions | 94.3 | 113.0 | 192.4 |
| Adjustments for items to disclose separately or under investing and financing cashflows | 58.3 | 71.3 | 60.7 |
| Change in working capital requirement | 10.4 | (88.9) | (71.9) |
| Cashflow generated from operations | 308.4 | 240.6 | 275.5 |
| Dividend received | 1.9 | 9.6 | 2.0 |
| Tax paid during the period | (64.8) | (21.9) | (28.5) |
| Government grants received | 0.1 | 5.3 | 0.1 |
| **Net operating cashflow** | 245.6 | 233.6 | 249.1 |
| Acquisition of property, plant and equipment | (234.8) | (294.7) | (145.5) |
| Acquisition of intangible assets | (23.2) | (35.1) | (21.8) |
| Acquisition of new subsidiaries, net of cash acquired | - | (188.1) | 0.0 |
| Acquisition of financial assets | (0.6) | (1.8) | (0.1) |
| New loans extended | (0.1) | (0.1) | (0.1) |
| Sub-total acquisitions | (258.6) | (519.9) | (167.4) |
| Disposal of property, plant and equipment | 5.8 | 6.0 | 0.2 |
| Disposal of intangible assets | - | 9.3 | 6.3 |
| Disposal of subsidiaries and associates, net of cash disposed | 0.9 | - | 0.3 |
| Repayment of loans | 3.6 | 2.8 | 0.0 |
| Sub-total disposals | 10.3 | 18.1 | 6.8 |
| **Net cashflow generated by (used in) investing activities** | (248.3) | (501.7) | (160.6) |
| Capital increase (decrease) minority | 0.2 | 15.3 | - |
| Own shares | (33.3) | 4.3 | (29.3) |
| Lease liability change | (6.8) | (9.7) | (9.0) |
| Interest received | 2.1 | 2.5 | 1.3 |
| Interest paid | (22.8) | (21.4) | (29.7) |
| New loans and repayments | 168.8 | 348.3 | 853.9 |
| Dividends paid to Umicore shareholders | (96.1) | (90.3) | 0.0 |
| Dividends paid to minority shareholders | (3.5) | (7.7) | (2.2) |
| **Net cashflow generated by (used in) financing activities** | 8.6 | 241.3 | 785.1 |
| Effect of exchange rate fluctuations | 3.8 | (0.8) | 9.7 |
| **Total net cashflow of the period** | 9.7 | (27.6) | 883.3 |
| **Net cash and cash equivalents at the beginning of the period for continuing operations** | 257.1 | 266.8 | 239.2 |
| **Net cash and cash equivalents at the end of the period for continuing operations** | 266.8 | 239.2 | 1,122.6 |
| of which cash and cash equivalents | 320.9 | 271.7 | 1,175.1 |
| of which bank overdrafts | (54.1) | (32.5) | (52.5) |

# Notes to the consolidated condensed interim financial information for the period ended on 30 June 2020

## Note 1: Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union.

They do not include all the information required for full annual financial statements and should therefore be read in conjunction with the consolidated financial statements for the year 2019 as published in the 2019 Annual Report.

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors held on 30 July 2020.

## Note 2: Changes in accounting policies and presentation rules and impacts

The accounting policies applied in the preparation of the consolidated condensed interim financial information are consistent with those followed in the preparation of Umicore's annual financial statements for the year ended 31 December 2019.

Umicore has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

## Note 3: Segment information

## Condensed segment information H1 2019

(in million €)

| | Catalysis | Energy & Surface Technologies | Recycling | Corporate | Eliminations | Total Continued operations | Total |
|---|---|---|---|---|---|---|---|
| Total segment turnover | 1,997.6 | 1,414.5 | 4,704.7 | 29.2 | (564.6) | 7,581.3 | 7,581.3 |
| of which external turnover | 1,957.6 | 1,387.1 | 4,207.3 | 29.2 | - | 7,581.3 | 7,581.3 |
| of which inter-segment turnover | 40.0 | 27.3 | 497.4 | - | (564.6) | 0.0 | 0.0 |
| Total segment revenues (excluding metal) | 716.5 | 607.2 | 313.3 | - | (2.6) | 1,634.4 | 1,634.4 |
| of which external revenues (excluding metal) | 715.8 | 607.1 | 311.5 | - | - | 1,634.4 | 1,634.4 |
| of which inter-segment revenues (excluding metal) | 0.7 | 0.1 | 1.8 | - | (2.6) | - | - |
| Adjusted EBIT | 86.6 | 101.6 | 76.4 | (25.0) | - | 239.6 | 239.6 |
| of which from operating result | 86.6 | 100.0 | 76.4 | (29.6) | - | 233.3 | 233.3 |
| of which from equity method companies | - | 1.6 | - | 4.6 | - | 6.3 | 6.3 |
| EBIT adjustments | - | (4.6) | 1.4 | (0.3) | - | (3.4) | (3.4) |
| of which from operating result | - | (4.6) | 1.4 | (0.0) | - | (3.2) | (3.2) |
| of which from equity method companies | - | - | - | (0.2) | - | (0.2) | (0.2) |
| Total EBIT | 86.6 | 97.0 | 77.7 | (25.3) | - | 236.1 | 236.1 |
| of which from operating result | 86.6 | 95.4 | 77.7 | (29.6) | - | 230.1 | 230.1 |
| of which from equity method companies | - | 1.6 | - | 4.4 | - | 6.0 | 6.0 |
| Capital expenditure | 44.7 | 147.4 | 38.6 | 10.3 | - | 241.0 | 241.0 |
| Depreciation & amortization | 37.8 | 41.4 | 30.7 | 7.3 | - | 117.2 | 117.2 |

## Condensed segment information H2 2019

(in million €)

| | Catalysis | Energy & Surface Technologies | Recycling | Corporate | Eliminations | Total Continued operations | Total |
|---|---|---|---|---|---|---|---|
| Total segment turnover | 2,541.7 | 1,524.0 | 6,615.2 | 29.6 | (806.7) | 9,903.8 | 9,903.8 |
| of which external turnover | 2,487.0 | 1,490.1 | 5,897.1 | 29.6 | (0.0) | 9,903.8 | 9,903.8 |
| of which inter-segment turnover | 54.6 | 33.9 | 718.2 | - | (806.7) | - | - |
| Total segment revenues (excluding metal) | 743.4 | 618.3 | 367.7 | - | (3.1) | 1,726.3 | 1,726.3 |
| of which external revenues (excluding metal) | 742.4 | 618.2 | 365.7 | - | - | 1,726.3 | 1,726.3 |
| of which inter-segment revenues (excluding metal) | 1.0 | 0.1 | 2.0 | - | (3.1) | - | - |
| Adjusted EBIT | 98.6 | 80.9 | 111.7 | (22.0) | (0.0) | 269.4 | 269.4 |
| of which from operating result | 98.6 | 77.2 | 111.7 | (22.7) | (0.0) | 264.8 | 264.8 |
| of which from equity method companies | - | 3.8 | - | 0.8 | - | 4.5 | 4.5 |
| EBIT adjustments | (0.4) | (23.5) | 0.6 | (3.0) | - | (26.3) | (26.3) |
| of which from operating result | (0.4) | (23.5) | 0.6 | (1.2) | - | (24.5) | (24.5) |
| of which from equity method companies | - | - | - | (1.8) | - | (1.8) | (1.8) |
| Total EBIT | 98.3 | 57.4 | 112.4 | (25.0) | (0.0) | 243.0 | 243.0 |
| of which from operating result | 98.3 | 53.7 | 112.4 | (23.9) | (0.0) | 240.3 | 240.3 |
| of which from equity method companies | - | 3.8 | - | (1.1) | - | 2.7 | 2.7 |
| Capital expenditure | 59.3 | 200.3 | 43.5 | 8.7 | - | 311.7 | 311.7 |
| Depreciation & amortization | 40.7 | 46.9 | 31.6 | 7.6 | - | 126.8 | 126.8 |

## Condensed segment information H1 2020

(in million €)

| | Catalysis | Energy & Surface Technologies | Recycling | Corporate | Eliminations | Total Continued operations | Total |
|---|---|---|---|---|---|---|---|
| Total segment turnover | 2,387.8 | 1,459.6 | 6,989.6 | 12.1 | (881.9) | 9,967.3 | 9,967.3 |
| of which external turnover | 2,312.7 | 1,413.2 | 6,229.3 | 12.1 | - | 9,967.3 | 9,967.3 |
| of which inter-segment turnover | 75.1 | 46.4 | 760.4 | - | (881.9) | (0.0) | (0.0) |
| Total segment revenues (excluding metal) | 570.6 | 556.7 | 440.0 | - | (3.6) | 1,563.7 | 1,563.7 |
| of which external revenues (excluding metal) | 569.9 | 556.6 | 437.2 | - | - | 1,563.7 | 1,563.7 |
| of which inter-segment revenues (excluding metal) | 0.7 | 0.1 | 2.8 | - | (3.6) | - | - |
| Adjusted EBIT | 21.4 | 54.2 | 191.1 | (23.7) | - | 243.0 | 243.0 |
| of which from operating result | 21.4 | 51.9 | 191.1 | (24.7) | - | 239.8 | 239.8 |
| of which from equity method companies | - | 2.3 | - | 1.0 | - | 3.3 | 3.3 |
| EBIT adjustments | (55.4) | (11.2) | (0.8) | (4.9) | - | (72.3) | (72.3) |
| of which from operating result | (55.4) | (11.2) | (0.8) | 0.3 | - | (67.1) | (67.1) |
| of which from equity method companies | - | - | - | (5.2) | - | (5.2) | (5.2) |
| Total EBIT | (34.0) | 43.0 | 190.3 | (28.5) | - | 170.8 | 170.8 |
| of which from operating result | (34.0) | 40.7 | 190.3 | (24.4) | - | 172.7 | 172.7 |
| of which from equity method companies | - | 2.3 | - | (4.2) | - | (1.9) | (1.9) |
| Capital expenditure | 32.4 | 81.8 | 27.7 | 10.4 | - | 152.2 | 152.2 |
| Depreciation & amortization | 39.6 | 55.3 | 31.2 | 6.6 | - | 132.8 | 132.8 |

## Note 4: Adjustments included in the results, including discontinued operations

| **Impact of adjustments** (in million €) | **Total** | **of which: adjusted** | **Adjustments** |
|---|---|---|---|
| **H1 2019** | | | |
| Profit from operations | 230.1 | 233.3 | (3.2) |
| of which income from other financial investments | 1.0 | 1.0 | - |
| Result of companies accounted for using the equity method | 6.0 | 6.3 | (0.2) |
| EBIT | 236.1 | 239.6 | (3.4) |
| Finance cost | (39.2) | (39.2) | - |
| Tax | (45.5) | (46.2) | 0.7 |
| Net result | 151.4 | 154.1 | (2.7) |
| of which minority share | 3.1 | 3.1 | - |
| of which Group share | 148.3 | 151.0 | (2.7) |
| **H2 2019** | | | |
| Profit from operations | 240.3 | 264.8 | (24.5) |
| of which income from other financial investments | (0.3) | 0.0 | (0.4) |
| Result of companies accounted for using the equity method | 2.7 | 4.5 | (1.8) |
| EBIT | 243.0 | 269.4 | (26.3) |
| Finance cost | (44.0) | (44.0) | - |
| Tax | (51.2) | (56.3) | 5.1 |
| Net result | 147.8 | 169.1 | (21.2) |
| of which minority share | 8.4 | 8.4 | - |
| of which Group share | 139.5 | 160.7 | (21.2) |
| **H1 2020** | | | |
| Profit from operations | 172.7 | 239.8 | (67.1) |
| of which income from other financial investments | 0.5 | 0.2 | 0.3 |
| Result of companies accounted for using the equity method | (1.9) | 3.3 | (5.2) |
| EBIT | 170.8 | 243.0 | (72.3) |
| Finance cost | (44.5) | (44.5) | - |
| Tax | (33.9) | (47.5) | 13.6 |
| Net result | 92.4 | 151.1 | (58.7) |
| of which minority share | 1.5 | 2.7 | (1.2) |
| of which Group share | 90.9 | 148.4 | (57.5) |

## Note 5: Share based payments

A charge of € 10.1 million was recognised in the income statement in respect of stock options and shares granted to senior executives of the company in 2020.

## Note 6: Financial instruments

The fair value of financial instruments held for cash flow hedge and other financial instruments are based on inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly (Level 2). For financial assets at fair value through OCI, it is based on quoted prices in active markets for identical assets (Level 1).

Umicore hedges its structural and transactional commodity (metal and energy), currency and interest rate risks using respectively commodity derivatives (mainly quoted on the London Metal Exchange), currency derivatives and Interest Rate Swaps with reputed brokers and banks.

### 6.1 Financial instruments related to cash-flow hedging

| | Notional or contractual amount | | Fair value | |
|---|---|---|---|---|
| (in thousand €) | **31/12/2019** | **30/06/2020** | **31/12/2019** | **30/06/2020** |
| Forward commodities sales | 186,117 | 140,368 | (41,403) | (31,718) |
| Forward commodities purchases | (76,930) | (100,224) | 7,538 | (8,345) |
| Forward currency contracts sales | 319,897 | 355,763 | (829) | (19,085) |
| Forward currency contracts purchases | (64,264) | (71,163) | 6,250 | 8,354 |
| Forward IRS contracts | 40,000 | 40,000 | (687) | (754) |
| **Total fair value impact subsidiaries** | **-** | **-** | **(29,130)** | **(51,548)** |
| Recognized under trade and other receivables | - | - | 19,699 | 10,992 |
| Recognized under trade and other payables | - | - | (48,829) | (62,540) |
| Total fair value impact associates and joint ventures | - | - | 72 | (1,509) |
| **Total** | **-** | **-** | **(29,058)** | **(53,057)** |

The fair values of the effective hedging instruments are in the first instance recognized in the fair value reserves recorded in equity and are derecognized when the underlying forecasted or committed transactions occur.

The forward commodities sales contracts are set up to hedge primarily the precious metals. The forward commodity purchase contracts are set up to hedge primarily the electricity, gas and fuel oil price risks.

The forward currency contracts are set up to hedge USD, KRW, BRL, CNY, CAD and ZAR inter alia.

The terms and conditions of the forward contracts are common market conditions.

In those circumstances whereby the hedge accounting documentation as defined under IFRS 9 is not available, financial instruments used to hedge structural risks for metals and currencies are measured as if they were held for trading. However, such instruments are being used to hedge future probable cash-flows and are not speculative in nature.

Umicore has not faced any significant ineffectiveness on cash flow hedging in P&L in 2019 and 2020.

### 6.2 Financial instruments related to fair value hedging

| (in thousand €) | Notional or contractual amount | | Fair value | |
|---|---|---|---|---|
| | 31/12/2019 | 30/06/2020 | 31/12/2019 | 30/06/2020 |
| Forward commodities sales | 389,955 | 347,185 | 28,666 | 1,172 |
| Forward commodities purchases | (390,761) | (26,992) | (937) | (46) |
| Forward currency contracts sales | 1,346,766 | 1,404,036 | 2,818 | 4,262 |
| Forward currency contracts purchases | (613,466) | (498,576) | (1,723) | 1,909 |
| **Total fair value impact subsidiaries** | **-** | **-** | **28,824** | **7,297** |
| Recognized under trade and other receivables | - | - | 47,495 | 24,583 |
| Recognized under trade and other payables | - | - | (18,670) | (17,286) |
| **Total** | **-** | **-** | **28,824** | **7,297** |

In the fair value hedge accounting as applied under IFRS 9, the fair values of the hedging instruments disclosed in the table above are immediately recognized in the income statement under Other operating income for the commodity instruments and under the Net Finance cost for the currency instruments.

## Note 7: Shares

The total number of issued shares at the end of June is 246,400,000.

Of the 5,624,550 treasury shares held at the end of 2019, 66,430 shares were used for the employee free share program and 893,060 shares were used to honour the exercising of stock options during the period. Umicore also bought back 1,200,000 of its own shares. On 30 June 2020, Umicore owned 5,865,060 treasury shares, representing 2.38% of the total number of shares issued at that date.

## Note 8: IFRS developments

New and amended standards and interpretations need to be adopted in the first interim financial statements issued after their effective date (or date of early adoption). There are no new IFRSs or IFRICs that are effective for the first time for this interim period that had a material impact on the Group, except if disclosed above in Note 2. There are as well no anticipated new IFRSs or changes to IFRSs that will have a material effect.

## Note 9: Contingencies, accounting estimates and adjusting events

As previously disclosed, the Group has a pending file that can be qualified as a contingent liability according to the definition of IFRS. A subsidiary of Element Six Abrasives received notice of a local tax assessment for € 25 million to be grossed up with statutory interests, estimated at 30 June 2020 at € 11.5 million. Having taken expert advice, Element Six Abrasives submitted an appeal contesting the assessment and recognised the file as a contingent liability. Umicore retains a 40.22 % interest in Element Six Abrasives and accounts for the company using the equity method.

## Note 10: Non-adjusting subsequent event

The Hoboken recycling plant is adjacent to a residential area. Every six months the lead in blood levels of children living close to the plant are monitored and unfortunately the early July readings showed elevated lead in blood readings as opposed to the historically low 2019 levels. This sudden increase came unexpectedly after multiple years of steady decreases following Umicore's environmental investments in Hoboken which reduced emissions of the plant significantly. The emissions as measured by both the authorities and Umicore were well below the legal norm and there was no indication that such an increase in lead in blood values would occur.

Umicore is now investigating potential causes that may have led to these higher readings and is forming a taskforce with the municipality to explore sustainable solutions, including the possibility of making an offer to buy certain houses. In parallel, Umicore is continuing to execute the investment program launched several years ago aiming at further reducing emissions.

## Note 11: COVID-19 impact

**Impairment testing**

Considering the impact of COVID-19, management assessed whether any impairment indicators existed in respect of the carrying value of Umicore's goodwill at 30 June 2020 (€200 million, including equity companies). For those businesses with goodwill that have been more substantially impacted by COVID-19, Umicore performed impairment testing based on a range of scenarios of future operating performance that confirmed no impairment was required.

As a result of decreased volumes in certain business segments, the recoverable amount of some individual non-current assets (PPE, IP and capitalized development costs) within such segments was assessed and impairments on these individual assets were accounted for when the estimated recoverable amount was lower than the carrying value of these assets. In addition, Umicore assessed its production footprint resulting in some restructuring measures. This resulted in a combined impairment charge of € 45 million (including at equity consolidated entities), accounted for mainly in Catalysis.

**Cash position, credit and liquidity risk**

Umicore ended the period with ample access to liquidity consisting of approximately € 1.2 billion in cash and cash equivalents, complemented with about € 1.0 billion undrawn committed bank facilities. The cash amount includes the June proceeds from a 8-year loan agreement with the European Investment Bank for an amount of € 125 million and from a 5-year convertible bond for an amount of € 500 million. Undrawn, uncommitted credit lines with core relationship banks provide additional financial flexibility. Umicore has a well-balanced debt profile with no near-term material maturities as its long-term fixed-rate debt has a phased maturity profile between 2023 and 2031 and its two syndicated loan facilities from a total of twelve banks expire in 2022 and 2025.

The debt covenants foreseen in Umicore's credit facilities provide substantial headroom.

During the first half of 2020, limits provided by one of our credit insurance policies slightly decreased and some of Umicore's customers suffered from rating downgrades. However, Umicore's accounts receivables portfolio did not show a substantial deterioration as overdues showed no structural increase nor did significant defaults occur. Moreover, the monitoring of the portfolio was intensified in order to anticipate potential risks as much as possible.

In principle, Umicore uses credit insurance as a means to mitigate the credit risk related to trade receivables. In the first half of 2020, two credit policies with two different insurers were in place. At 30 June 2020, a total of € 423 million of trade receivables were covered by those policies. Some of our businesses operate without credit insurance in which case internal credit limits are set based on publicly available financial information and business knowledge. These limits are periodically reviewed and approved by management.

## 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.

## Glossary

For a glossary of used financial and technical terms please refer to:
http://www.umicore.com/en/investors/financial-data/glossary/

## For more information

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## Financial calendar

| | |
|---|---|
| 21 August 2020 | Ex-interim dividend trading date |
| 24 August 2020 | Record date for the interim dividend |
| 25 August 2020 | Payment date for the interim dividend |

## 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 € 1.6 billion (turnover of € 10.0 billion) in the first half of 2020 and currently employs just below 11,000 people.

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A conference call and audio webcast for investors and analysts will take place today at 9:30 CEST. Please visit: http://umicore.com/hyr2020

A conference call for media will take place today at 11:00 CEST in Brussels. Please visit: http://umicore.com/hyr2020_media