



Capital Markets Day 2022

Wednesday, 22nd June 2022

Q&A

Evelien Goovaerts: Thank you, Denis. And then we have our next Q&A session. So Mathias and Géraldine, you're invited back on stage. Maybe for the people in the audience, you need to bring the mic very close to your mouth when you speak because we had some feedback from the webcast that it was not always easy to understand the questions. We have about 20 minutes before we will be breaking for lunch.

Ranulf Orr: Hi. Just two questions for me, please. It's been mentioned a few times now, the move to further upstream integration in cathode materials. Could you please expand a little bit on that and the plans there?

And then a second one just on recycling. You talk about 200 complex waste streams, but presumably there are only a couple that really matter, auto cats comes to mind for instance. Could you give some clarity around those and the different dynamics within those sort of sub-sectors? Thanks.

Mathias Miedreich: Very good. Let me take the first one. So – and again, this will be very much detailed in Ralph's presentation. Yes, we today are already – if we compare us with our competitors, we are probably the most integrated on the value chain upwards. That means going up to refining. This will take even more importance in the future, because two reasons for that.

The first one is if you have exposure to the full value chain, you can influence also the value creation. With that also, the cost performance and the – as I have shown to you, as well the more upstream – try to showed you – the more upstream you are working on innovations on the processes, the micro engineered precursor that I have shown you, that can even be, let's say, influence in the further stage, gives you an upside on your competitiveness over the full value chain.

And the second thing that's coming more and more, it is a matter of securing supply. For example, there are several regions in the world where you cannot just extract, let's say, nickel and ship it to somewhere. You have to have a value add in the region and you have to commit to do something with the nickel that you get out of the earth, to be able to have a supply stream. And this is something that we are engineering, together with our customers, how we can do it in the best way to further strengthen on that. So – and that's a very important point.

When we talk about the phase of expansion, it is also the expansion and the ultimate goal in each of the regions where we are active to have a full value chain approach, mine to battery – excluding the mine and excluding the battery, of course.

Denis Goffaux: Yeah, on the scope of what we can process, yeah, spent automotive catalysts would be one of these categories, obviously a very important category nowadays with the PGM price of today. Now, when you do recycling, you don't have basically a long-term contract like you could have with mining – with a mine. So you have – you are dependent on the market availability. So what we have seen is that spent automotive catalysts, there is a big incentive to recycle them because of the precious metal price.

We do – this is also influenced by the scrapping of cars. If you have less car scrapped, there are less automotive catalysts available on the market. So this is a bit negative for the time

being. But all in all, spent automotive catalyst is a very important part of what we process but it's only a part of it. And even in terms of PGMs, spent industrial catalysts are also playing a role, industrial by-products are also bringing PGM to the plant.

Geoff Haire: Hi. Just two questions. First of all, on the sustainability. Is the cost of the sustainability captured within the CAPEX plans that were outlined earlier?

And then secondly, specifically on carbon capture. You mentioned that that's still work in R&D, but carbon capture is a well-established technology, so why is Umicore not using an off-the-shelf option in that area?

And then secondly, just on recycling. Do you ever have situations where you only have contracts that just take the treatment charge and you don't have any benefit from metal revenue or all the contracts within recycling have both elements?

Denis Goffaux: Yeah, I will answer the second question. And I will – yeah, or I can take both?

Géraldine Nolens: Probably start with the last one.

Denis Goffaux: Yeah, I start with last one. On the contracts, always have a metal component, but sometimes it's a tiny one. They always have a metal component, because recovery rate is a fact. I mean, nobody can make 100% recovery rate and then the market defines more or less what the usual recovery rates are. And if the usual recovery rate is very high, there is limited margin to do a metal contribution on top.

But if the recovery rate that is defined by the market is rather low, then you have a big potential. So there is – the two components are always present. Usually, the more complex the material, the more room there is to make metal margins, because there are not many people able to recover the metals with a good rate. And then on the...

Géraldine Nolens: Okay. Maybe the first question, with respect to whether it's included in the plan. So yes, the big – the main ticket item for our ESG is the CAPEX required for the Scope 1 emissions, and that is clearly included in the plan in our strategy. So that's an easy straightforward answer.

With respect to the carbon capture for our R&D department, yes, there are carbon capture technologies out there, and [inaudible]. But we are confident that by the end of the decade, we will have advanced in that and we'll be able to show results.

Mathias Miedreich: Now there isn't much I can add to that. Indeed, there are off-the-shelf technologies, but which are not developed for the non-first metal smelting. So we need to adapt them to the kind of gases that we get, the impurities that are contained in the gases. So yes, it's work in progress, but we are going to bank as much as we can on established technology, of course.

There was a question also over there exactly.

Wim Hoste (KBC): Yes, good morning. I have a couple of questions. Maybe first, you're offering a lot of additional transparency, but recycling is still a bit of a back box in terms of profit generation and the drivers. So can you maybe split the profits by metal and also by, let's say, TCs and free metal? That's the first question.

Then the second one is, can you maybe elaborate on the visibility of your input streams? You indicated that there is differences for end-of-life materials, auto cats versus maybe mining. So what is the average visibility you have in terms of input streams in recycling?

And then a third question would be ESG related. There's some stringent regulation for blood in lead levels of children that becomes more stringent over time. So how confident are you to reach that two micrograms per decilitre levels in a few years' time? Can you maybe elaborate on that? Thank you.

Denis Goffaux: On the first question, I'm afraid that I cannot detail per metal or even between TC and RC. It's first of all a very complex thing, and this is not the level of detail we want to disclose.

Your second question is on the visibility. What we have – we still mostly do mid to, let's say, mid-term contracts. So we have often relationship with our customer where they expect to send us a certain amount of, let's say, spent automotive catalyst. But they also face the reality. And so there is a band in which they can have some flexibility.

So we – and we need it also for the mix of the plant. We need certain quantities, but you sometimes have a bit less than you had expected in the budget. So it's less predictable in a way. But we have – we would have typically – we do a bit of spot contract, but we would have typically yearly contracts with most of our suppliers with a certain margin for more or less volumes.

And then on the emission part, I mean, we are very confident that we have the technologies in place. We have – this is the highest priority on the plan – in the plans right now. They are doing whatever it takes, first of all to reduce emissions, because this is what we have under control. We can reduce our emissions. And if that is done, obviously, it's going to be much easier to reach the targets in terms of lead in blood.

Géraldine Nolens: Maybe I can add to that.

Mathias Miedreich: Exactly.

Géraldine Nolens: So, as Denis said, our operations today are really state-of-the-art technology. And we have, in the past years, always respected all the legal requirements, and the requirements of our permit with respect to the emissions. And we go way beyond those requirements. In addition, we have set much more stringent targets voluntarily and we are complying with those as well. As you know, the permit is going down, year per year, in what it is allowed to do.

And based on all the technology advancements that we're making, we're really beating the curve every single time. So we're confident that by 2026, we will reach those targets as well. And what's important as well is that, obviously, we don't – we also have a historical past. But what we're doing with that as well is that we have built a green zone of five hectares between the plants and the local community on the side. And that will significantly contribute as well. So we're feeling confident that we will reach those requirements by 2026.

Georgina Fraser (Goldman Sachs): Hi. Denis, I've got a question for you that is maybe a bit more technical and just a point of general interest in metal recycling. Why is it that you can't have 100% recycling rates of metals? And which metals have the lowest recovery rates

and are also scarce in nature, and therefore, we should be worried that we're going to completely run out of them even with recycling in the future?

Denis Goffaux: Yeah, I think the 100% recycling is what we strive to and – but even in mining industry, you will be surprised how much of the metals are staying in the tailings of the mines just because they cannot be extracted physically. They are embedded in another mineral. They are lost. And so I think that the metal industry never has 100% because you start with, let's say, 500,000 tonnes of materials, and you need to extract a few tonnes of the metal you're looking for.

And so the vast majority is something that you need to dispose or – in tailings in case of mine or as [inaudible]. And this may contain a little bit of metal. So the 100% is what we strive to, but it's difficult to achieve. Obviously, the highest value of the metal, the more incentive you have to use additional steps to recover them.

Yeah, so that's a dream but unfortunately, this is not possible. And if you are better than the competition, and I think we can say we are better than competition, then you can benefit from that additional yield.

Mathias Miedreich: Over there, we have one question.

Riya Kotecha: Hi. My question is about some news that came out, I think, in December 2020 about higher radio activity levels that Umicore's Olen site. And I think in May 2022, there was a news release that said that there's new legislation that allows the imposition of financial burdens on users and owners of these potentially contaminated sites. So is this something that's on your radar in terms of a potential ESG risk? Or do you consider it to be a case closed? Like, how are you thinking about this? Thanks.

Géraldine Nolens: Thank you for the question. Yes, indeed, there is draft legislation out there and actually, we're very happy with that legislation. That legislation will allow us to move forward. So we've had activities relating to radium in the past in the 1920s to, I think it was, 1970s. And we have, how do you call it, residues of that. And we have encapsulated those in our – in the bank in the Olen site, but it's completely encapsulated. So there is absolutely no danger. We all work in the Olen site, so that it's completely safe.

And the regulator – the authorities follow this up also with us on a constant basis. So we don't see this as an issue. And the legislation will actually allow us to move forward because we had to wait for the final storage of those tailings, or of those residues, until legislation was in place. And so with the legislation and the implementing acts that are going to come hopefully soon, we expect that by 2024, we will be able to develop a final action plan to find the final destination for these things, but there is no harm to environment or people or any risk of that at this moment in time at all. So we don't really see that as a problem, no.

Evelien Goovaerts: Okay, perhaps one final question. I wanted to slip in one from the webcast. But go ahead, Sebastian, the floor is yours.

Mathias Miedreich: Well, no, it's okay. We have enough time.

Sebastian Bray: Thank you. Could you just – can we touch on hedging with the – what is the level in multiyear terms that you feel comfortable with at this stage? So another way of putting this question is, are you hedged now for certain metals to 2025-2026? Or is there a

hard stop at which we should start thinking about using spot prices again for the recycling segment? Thank you.

Denis Goffaux: Filip, do you want to take that?

Mathias Miedreich: Yeah, I think it's a good time to bring our CFO back in the game here. He was a little bit too relaxed.

Filip Platteeuw: Well, I wouldn't really want to add anything. Yeah, it's on. Okay. Anything except for what we mentioned, what was it, with the full year results. So we haven't significantly increased that, Sebastian. So we're talking about two years out. We're talking about precious metals, mostly. So we can update you in July, but so there is no fundamental increase. So obviously, we will, like the roll forward, try to increase the hedging proportion for those metals going forward, but compared to what we said in February, or the update at the AGM in May, there's no fundamental news on that one. Is that okay?

Evelien Goovaerts: And then –

Mathias Miedreich: So, first question from the audience. Evelien?

Evelien Goovaerts: Yes, first opportunity for a question. And Filip, I feel you have to stand up again, because it's about the PGM prices. So it's linked to both Denis's piece and Filip's piece. You talk about normalising PGM prices. How do these price levels compare to long-run average prices – above, in line, below? What are your expectations on the price and earnings contribution of the minor and specialty metals? And do you expect these to also normalise?

Filip Platteeuw: Okay, Denis, we can make it a team answer. But I will start. So when we talk about normalisation, it's a gradual normalisation. You've seen the graph we put out, like what is more or less a consensus which is out there. We follow that. We're a bit more conservative actually than what is on the slide. It continues after 2025. So to answer the question directly, what you mean with normalisation? It means that we expect, or that we have assumed, I should say, precious metal prices, and specifically PGM prices to go back to their historic low, I can say, levels.

And most of that change continues to happen after 2025. So you have a first, I would say, correction up to 2025-26. And that continues, which you saw in the numbers in recycling. That's the kind of headwind we talk about. If it doesn't happen for, I mean, good reasons, it means there's an upside to our plans. So we really went down to historic levels.

And the second question, Evelien, can you help us, sorry, or part of the question?

Evelien Goovaerts: On the minor and the specialty metals and how –?

Filip Platteeuw: On the mix for Hoboken, you want to take that, Denis?

Denis Goffaux: Yeah, I think we have 17 metals so we extract value from the 17 metals. Nowadays, the precious metals are making the lion's share, and this is what – where our focus is. We do refine the other metals and we do get revenue from the other metals. But nowadays they are not changing – they are not moving really the needle.

Filip Platteeuw: Yeah. The PGMs and it's even –

Denis Goffaux: PGM, gold, silver, these are the main contributors.

Filip Platteuw: And then making the bridge with the question on the hedges, in terms of hedging for palladium, for example, we're pretty high hedged, platinum to a certain extent well. For rhodium, that is more difficult metal to hedge. So in terms of, I would say, the sensitivity of metal prices over the PGMs, rhodium is the most important one.

Evelien Goovaerts: Was there still a question from the audience here? If not, then we are ready for a longer break. So we will come back and reconnect in one hour and 10 minutes from now, so 14.00 London time. Thank you.

Mathias Miedreich: Very good. Thank you.

Denis Goffaux: Thank you.

Géraldine Nolens: Thank you.

[BREAK]

[VIDEO]

Evelien Goovaerts: So this is the video that we wanted to show this morning, but I think it fits very well here as well, because it summarises somewhat the messages that we have been bringing so far. And there is still an important part to come, because this afternoon, we will focus on all the activities that are driven by an enabling mobility transformation. And I gladly hand over to Ralph for his presentation.