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PRESENTATION

Operator

Good day and welcome to the Q1 2015 conference call. Today's conference is being recorded. At this time, I would like to turn the conference over to Marc Grynberg. Please go ahead.

Marc Grynberg - Umicore SA - CEO

Thank you and good morning, everyone, and welcome to the call. We have decided to adapt the time of the call as we have a busy day today, with the Annual General Meeting taking place later in the day, and I hope that you do not mind the change of schedule.

As you will have seen from the publication this morning, we are off to a very solid start to the year, with revenues up by 11% compared to the same period last year. Filip will dive into more detail about the evolution in the different businesses, and without preempting too much Filip's comments, I can already tell you that the overview looks really good for the vast majority of our activities.

Catalysis showed revenue growth of 15%, with the main improvements being linked to the new business coming from European light-duty and heavy-duty catalysts markets. In energy materials, we saw a 20% progression, which was a combination of organic growth and the positive impact of the acquisitions that we made in the cobalt and specialty materials business unit last year.

In performance materials, revenues were slightly lower than they were last year, and this was mainly linked to a slow start in the European construction sector. In recycling, we started to see some of the volume benefits from the first phase of the Hoboken expansion, and the supply mix was also somewhat more favorable than in the same period last year.

The currency headwinds that we faced in recent years have to a large extent subsided, following the strengthening of the US dollar. This being said, currency effects so far this year were limited relative to the volume uplift, as most of the deliveries in the first quarter were made against contracts that were secured in the course of last year.

As you will recall from February, we have started a process to realign our portfolio of businesses and eventually to divest the two zinc related activities by the end of 2016. We initiated an information process early this year with employees, and in Belgium this process is now complete, so we are moving



ahead with the creation of separate legal entities for the activities of those businesses. While it is too early to comment on possible partners or buyers, I can assure you that the process is very much moving ahead as planned.

Turning now to the outlook, we have provided guidance that points to a strong increase in profit for Umicore in 2015. Indeed, if current market conditions continue to prevail, and given the visibility we have today in our businesses, I expect that full-year recurring EBIT would be between EUR310m and EUR340m. This compares to the EUR274m that we generated last year and would represent an increase of between 13% and 24%.

As I mentioned back in February, this will be mainly driven by increases in the catalysis and energy materials activities, as recent investments in these segments start to contribute meaningfully, something that is borne out by the respective revenue growth in these segments so far this year. In terms of EBITDA, the increase would be a bit higher even, due to the increase in depreciation charges following recent investments.

And with that, I would like now to hand over to Filip, who will walk you through the performance of the four segments.

Filip Platteeuw - Umicore SA - CFO

Thank you, Marc, and good morning, everyone.

So starting with catalysis, this segment showed a strong increase, with revenues up by 15%. As you'd expect, this was mainly driven by the automotive catalyst activity.

We have mentioned before that we were expecting some catch up in the light-duty diesel side in Europe, as some delayed platforms started to come to market in early 2015, and this has been borne out in the first part of the year. We also generated higher revenues from the heavy-duty diesel catalyst activity, both in Europe and in China, as we continue to ramp up sales for this application.

Overall, our catalyst revenues grew better than the car market, and this was the case in all of the regions. We made good progress in two major new investments that we are undertaking, one in Thailand and one in Poland, with both due to come on-stream in 2016. Our precious metal chemistry activities also recorded higher revenues, largely as a result of the knock-on effect of higher demand for automotive catalysts.

Switching now to energy materials, where we recorded the biggest increase in revenue growth, amounting to 20%. While this includes the additional contribution from last year's Todini and CP Chemicals acquisitions, well over half of the segment's topline growth was organic.

In rechargeable battery materials, the year-on-year comparison is distorted by last year's atypical strong first-quarter volumes. Volumes in the first quarter of this year were more in line with the customary patterns and reflect a growing demand for our products; this as well for our NMC material for automotive applications, as for our high-energy density LCO material for high-end electronic devices. We expect continued strong demand based on our current order book.

Substantially higher revenues in cobalt and specialty materials were driven by continued higher sales in its ceramics and chemicals business and the integration of the newly acquired businesses in the US and Europe, which is proceeding very much according to plan.

The electro-optic materials and thin film product activities increased revenues on the back of steady growth in their respective end markets, and in the case of EOM in particular, an increasing recycling and refining business.

Moving to performance materials, performance materials was the only segment generating slightly lower revenues year on year, with also a more mixed performance per unit. Building products revenues were lower due to a slow start in European construction sector and a certain degree of customer destocking. This was something that higher volumes outside Europe were not able to compensate.

In our other zinc unit, zinc chemicals, we recorded revenues that were well up across all of the different product groups, and particularly in zinc oxides. Also in zinc oxides, we recently decided to close the underperforming plant in Goa in India, which will further improve the financial profile of this business unit.

The electroplating business unit generated higher revenues as a result of better sales volumes in most of its product categories, particularly in decorative applications. Platinum engineered materials, which tends to have a rather lumpy revenue profile driven by large projects, was slightly down due to such a timing effect in its display glass application segment.



Revenues of technical materials were in line with previous years, and business in Element Six Abrasives joint venture was affected by the lower activity levels in the oil and gas drilling sector. But as you know, the revenues of Element Six Abrasives are not reported in our numbers, as it is accounted for using the equity method.

Finally, in recycling, we generated revenues that were 7% higher than in the first quarter of 2014. Unlike the first quarter last year, the Hoboken plant operated smoothly and was also able to derive volume benefits of the first round of investments that took place last year. The mix also improved, with a higher intake of PGM rich and complex residues from the non-ferrous metals sector. Metal prices had no material impact on the revenues evolution, given the balance between somewhat higher received precious metal prices and lower specialty metal prices.

The next phase of the expansion of Hoboken is underway, with the first of two extended shutdowns foreseen for this year. We still anticipate that the throughput improvements from these investments will compensate the extra downtime from the shutdowns.

In the other recycling activities, revenues in jewelry and industrial metals were slightly up, while precious metals management was at the same level as last year.

Now, contrary to last year's currency headwinds, the appreciation of the US dollar and its pegged currencies versus the euro benefited revenues and earnings across most of our businesses. Still, higher demand was the most significant driver behind our double-digit revenue growth, partly as some of the underlying contracts were still secured at the end of last year.

As a reminder, in January we took advantage of the strength in precious metal prices and the US dollar exchange rate to hedge a sizable portion of our 2015 precious metal and dollar exposure. Since then, we have not increased our strategic hedge position.

Our net financial debt came in below EUR250m end of March, thanks to very strong operating cash flow. We expect a full-year CapEx spend similar to the level seen in 2013, which corresponded to some EUR280m. As a consequence of our past growth investments, this year's D&A level is expected to increase by approximately 10% from last year's level of EUR169m.

So this concludes my part. Marc?

Marc Grynberg - Umicore SA - CEO

Thank you, Filip. So, in conclusion, it has been a good start to the year, with a strong overall improvement in revenues, as you have now heard. You will recall that some months ago I indicated my confidence that 2014 would be a trough year for earnings, and I'm pleased that the evolution so far this year indicates that this will effectively be the case.

And with that, I would like now to turn the call over to your questions.

QUESTION AND ANSWER

Operator

(Operator Instructions). Tony Jones, Redburn.

Tony Jones - Redburn - Analyst

Morning, everybody. I've got three questions. Firstly, in catalysis, could you tell us what the underlying growth was excluding currency effects?

Secondly, in energy materials the growth was 20%. Can you split that into the acquisition contribution and then underlying growth?

And then finally, on recycling, you're flagging the better intake on higher PGM rich feeds. Could you see that as sustainable, given your contract visibility? Thank you.



Marc Grynberg - Umicore SA - CEO

Let me start with the first question, the growth in catalysis excluding currency effects. No, we are not breaking down the growth in detail. Suffice to say that the vast majority of the effect is volume growth.

And as I mentioned in my introduction and as Filip explained also, currency effects this year were so far relatively limited, because many of the deliveries that were made in the first quarter, or most of the deliveries that were made in the first quarter across businesses were made against contracts that were secured in the course of last year with the prices or currencies or metal components being hedged in the course of last year. So you should not assume that there's been a great deal of currency boost in the figures, the revenue growth figures that we are publishing today.

I will let Filip --

Filip Platteeuw - Umicore SA - CFO

Energy materials.

Marc Grynberg - Umicore SA - CEO

Answer the question about energy materials.

Filip Platteeuw - Umicore SA - CFO

On the energy materials, we have revenue growth of about 20% and a bit more than half of that is organic, so a bit less than half is related to the first-time contribution of the two acquisitions.

Marc Grynberg - Umicore SA - CEO

And finally, coming to the PGM rich material, it is relatively unclear at this point in time whether there is a little bit of a catch-up effect with possibly an incoming stream of material that has been stockpiled for a while or whether this is sustainable. We should be in a position to comment on that towards mid-year. Today, there is still some uncertainty in that respect.

Tony Jones - Redburn - Analyst

Thanks very much.

Operator

Mutlu Gundogan, ABN AMRO.

Mutlu Gundogan - ABN AMRO - Analyst

Yes. Good morning. Also three questions. First, on the guidance, you're guiding for an increase in REBIT of some EUR50m, and you say that's mainly coming from catalysis and energy materials. Just wondering, can you provide us a split between those two segments? Is that similar to each other, or is it more skewed to one segment?

Second question on recycling, on the prolonged maintenance shutdowns. I know you don't like to share the length of the shutdowns, but could you at least provide a comparative number, i.e., for example, is that twice as long as normal, as a normal shutdown, or three times as long? Just some indications there would be nice.



And then finally, on BASF, also a difficult question I think in terms of that you're still in a legal fight, but for us analysts, would you be able to provide at least a worst-case scenario in terms of financial impact? Thank you.

Marc Grynberg - Umicore SA - CEO

Well, let me start with the last one, because I think it's pretty straightforward. There is no worst-case scenario. If you read the statement that we issued at the end of last week and our responses, we believe there is no case. And I think that's a clear indication of how you should or could look at the situation and the risk.

Again, I would like to point to a number of factors. First of all, and this is quite fundamental, our products and our businesses do have freedom to operate and are not infringing on the BASF or any other patents, and we can demonstrate that we can provide scientific evidence of that. Secondly, and this is maybe of secondary importance, the validity of the IP that BASF and Argonne are putting forward can be questioned in light of prior publications.

And last but not least, as we have indicated, we believe that the work that's been done prior to the filing by BASF and ANL was not professionally researched, as the products that they have based their file upon was not even Umicore's.

So we believe, because of -- on the basis of these elements, that there is no case and there is no worst-case scenario to be considered.

Now let me come to the other questions. In terms of the guidance, considering the relative size of the business groups, you should expect in absolute terms that catalysis would contribute more to the earnings increase relative to energy materials.

And then, regarding the shutdown, just to give you a rough indication, since of course we do not talk in days or in weeks it will be difficult for you to make full use of that information, but just to give you a rough indication, the shutdowns are twice as long as usual to accommodate the need for the investment.

Mutlu Gundogan - ABN AMRO - Analyst

Okay. That's very helpful, Marc. Thank you.

Operator

Filip De Pauw, ING.

Filip De Pauw - ING - Analyst

Yes. Good morning, all. Two questions. First question in recycling. Given that the prices of most metals that you recycle, at least in euro terms, seem higher in the first quarter year on year, I'm a bit puzzled by the fact that you don't mention this effect as one of the reasons for driving the growth in recycling. So I was wondering if you could help me understand that a bit better.

And the second question is on catalysis. You already said that the growth, the 15% growth in catalysis is mostly driven by organic growth, and I wonder if you could give us some feeling of what has been driving the growth most. Is this light LDV or HDD? Those are the questions.

Marc Grynberg - Umicore SA - CEO

Okay. So let me start on the price effect in recycling. We mentioned in the press release and in Filip's comments that actually the effect of higher received precious metal prices was largely offset by the effects of secondary metals. So, all in all, it's fairly neutral year on year. So, that's the reason we didn't highlight that as an element of revenue -- significant element of revenue evolution.

When it comes to catalysis, both elements are important and material, both evolutions, in light duty and in heavy duty. In heavy duty, it is clearly the ramp-up in the production of heavy-duty catalysts in Europe and to a lesser extent in China that is contributing to the growth. And in the light duty, it is



the introduction of Euro 6 platforms in Europe as well as the continued growth in other regions that have both contributed to the growth. And I'm not going to break down the growth effects into light duty and heavy duty further than that.

Filip De Pauw - ING - Analyst

Okay. Thank you.

Operator

Junior Cuigniez, Petercam.

Junior Cuigniez - Petercam - Analyst

Hi. Good morning. A couple of questions have already been asked, but a couple of remaining. Maybe the first one, could you remind us to what extent volumes were impacted last year from lower throughput?

And then the second question is also on BASF. I was just wondering whether this wasn't just part of the business, with BASF marking their territory, and that it just was brought to press because, for example, BASF wanted to be -- the question is actually, isn't this just part of the business, these kind of lawsuits? Thanks.

Marc Grynberg - Umicore SA - CEO

Regarding the throughput effects, we didn't quantify them last year and so I'm not going to do that after the fact now. They were present and had an impact on the revenue and the profit evolution, but were not quantified.

And coming back to the discussion about the lawsuit, it is a little bit of -- the comments are a little bit of a speculative nature at this point in time. One can speculate or make assumptions regarding the true motivations of BASF. I would rather say that it is not a customary practice in business to first file a lawsuit and then, I would say, assume the consequences of a lawsuit.

In many cases in technology related businesses, if there is a doubt about IP or freedom to operate, it is customary to have discussions with customers, with suppliers, with competitors about IP rights and licensing discussions in certain cases. And if you do not have an agreement, if you do not reach an agreement as a result of these discussions, then litigation can start. This is how it would typically work in practice.

This was not the case this time around, and given the elements I mentioned earlier, one can indeed speculate and make their own interpretations about the true underlying motivation.

Junior Cuigniez - Petercam - Analyst

Okay. That's clear. Maybe just a small follow-up on my first question, if I may. Could you maybe indicate whether -- if volumes would have been -- or the plant would have run smoothly, whether you would be able to show growth in this quarter? Thanks.

Marc Grynberg - Umicore SA - CEO

Yes, indeed. The answer is positive, because we start to see the first benefits of the first wave of investment -- expansion investment that was carried out in the second part of last year in Hoboken.

Junior Cuigniez - Petercam - Analyst

All right. That's very clear. Thanks.



Operator

Paul Walsh, Morgan Stanley.

Paul Walsh - Morgan Stanley - Analyst

Hey, guys. Morning. Thanks for taking the questions. Just three, if I possibly can. Within the catalysis business, clearly you guys are in share-taking mode, given the ramp of various different lines. I wondered, within the increase year on year of 15%, if you could split underlying market growth versus the impact from your own product lines ramping up, that would be very helpful.

Second question. I know you said there's not much FX benefit in Q1, but I just wondered if you could give us more detail on what your FX assumptions are for 2015 versus 2014. Whatever rate implied you've got hedged across the other divisions, is there more of an FX impact in the spot divisions like catalysis versus those that are under contract like recycling?

And just my last question on Hoboken, clearly guiding towards still relative stability on throughput this year, all things being equal. Should I read that to imply, look, 7% growth in Q1 translates into minus 7% in Q2, or have you been able to do anything to preempt the shutdown, i.e., was Q1 up on throughput to try and mitigate Q2? Just wondering, because it looks like the numbers in recycling are reasonably good and I'm just wondering if you're still being conservative or if that's a realistic outlook. Thank you very much.

Marc Grynberg - Umicore SA - CEO

Paul, let me start with the last question. I cannot say today whether it's conservative, aggressive. It is the most realistic view we have today, based on the engineering assumptions about how the plant will work after the massive wave of investments and modifications that are going to be carried out now and later this year. So that's what I can say.

Paul Walsh - Morgan Stanley - Analyst

And maybe just one easier way to ask the question, then. Is there anything in your EBIT bridge, year on year, for recycling?

Marc Grynberg - Umicore SA - CEO

I'm not going to answer the question (multiple speakers) because at this point in time we provide earnings guidance for the Group, without going into too much detail by division. Suffice to say that we have an extended shutdown in Q2 that indeed makes an extrapolation from Q1 rather complicated and possibly not appropriate.

So the guidance today is that for the full year we expect to be able to compensate the extra downtime compared to last year because of the throughput improvements that should be realized with the investments. And we'll see how the facility operates after the first wave of investments, and we should be able to provide you with some more precise information, and if necessary guidance, at the time of the half-year publication, because we will have the first shutdown behind us and so we'll know how things have worked out as we restarted the facility.

So bear with us a little more and today this is the best and the most realistic view I can give you about the recycling evolution.

In catalysis, I would say that in all regions, actually, we grew faster than the market, and I thought that the market growth figures were communicated. And so you can see that the difference between the market growth and our growth, which was predominantly volume driven, indicates how well we have performed, and indeed there has been quite a significant distance between the two sets of figures. Of course, in the case of the heavy-duty segment, it is a bit of a peculiar situation because the starting point is relatively low.

Paul Walsh - Morgan Stanley - Analyst



Sure. And just my final question on FX, please.

Marc Grynberg - Umicore SA - CEO

I will hand over to Filip to answer your question on FX.

Filip Platteeuw - Umicore SA - CFO

Yes, I'll try to answer it as well as I can. Typically, you know that we provide a bit more granularity on the ForEx impact with the earnings, and so with the half-year results we'll try to refine it a bit or quantify it a bit.

But the question on what's your outlook or what's your assumption, yours is as good as ours, obviously. The only thing that we did mention is that we have hedged part of our exposure in January, the second half of January, because we felt that conditions at that point in time were good.

Just as a reminder, what is the ForEx exposure for Umicore, it's partly translational and it's partly structural. And the structural part comes from on the one hand the metal side, and on the other hand non-metals, for example, refining charges. So those are the exposures.

What we have done in terms of hedging in January is hedge a significant part of the non-metal structural exposure, and since then we have not increased the hedging, as we have indicated. So the message we want to give is that basically, when you look at the revenues in the first quarter, that the overriding factor behind the growth was volume growth and basically operating leverage from the installations rather than ForEx.

Paul Walsh - Morgan Stanley - Analyst

And so does the FX gain build over coming quarters, or is it just a hedged out non-factor for you this year?

Filip Platteeuw - Umicore SA - CFO

As we have some contracts which were entered into end of last year, which we mentioned, and by the way that goes for the revenues but also for the raw materials, then there will be some effect still coming, indeed for the remainder of the year.

Paul Walsh - Morgan Stanley - Analyst

Okay.

Filip Platteeuw - Umicore SA - CFO

And thank you for your question, because that's what I forgot to mention in terms of you have spot business and you have contract business. It is related to the last part. You can have some contract business where you have some delay effect, while obviously for the spot business it is spot so it's the market ForEx.

Now, to be more specific or split up by business unit, I don't think that's very relevant, but indeed there is some effect, some delay effect from the contractual business. But the main message is that the growth that we've seen to the largest extent is from volume in the first quarter, but we will -- obviously it is helping us, the ForEx, like last year we had a headwind, actually.

Paul Walsh - Morgan Stanley - Analyst

Okay. That's awesome. Thanks a lot, guys.

Marc Grynberg - Umicore SA - CEO



And just to avoid any misunderstanding, that's factored in the full-year EBIT guidance.

Operator

Adam Collins, Liberum.

Adam Collins - Liberum - Analyst

Hello. I've got three. So, first of all, some color on the evolution of the energy materials side. In the statement you were talking about margin pressure in portable electronics, and I wondered if you could just tell us whether that's an intensification from prior periods where you've also talked about some challenges there.

And then conversely, on the automotive side, you talk about NMC cells having grown at a faster pace this quarter than prior quarters, with a pickup in the order rate, and I wondered if you could just provide some color there on what's been driving that progress. So that's the first question.

And then a couple of financial ones. So, firstly, are you in a position to give us an update on what the likely tax rate outcome is for this year?

And then finally, on cash flow, you talk about a net debt reduction from the end of the year, and that's happened despite the fact that CapEx looks to be pretty full this year and maybe there was a payment for the dividend in the first quarter. So what's been driving that cash flow progress through the quarter? Thanks.

Marc Grynberg - Umicore SA - CEO

So, Adam, let me start with the energy materials related questions, and then I will ask Filip to answer your financial questions.

The margin pressure is a constant feature of the battery materials business, and I wouldn't say there was an intensification of that.

Adam Collins - Liberum - Analyst

Yes.

Marc Grynberg - Umicore SA - CEO

It has been a continuation, and it's been intensive enough so far. So suffice to say that it continues to be a feature, and it's one of the elements of how the business is playing out. You need to have both technical performance and cost performance in order to be competitive and qualify for business.

And this will continue to be the case, as we see it, and that's why we mentioned in the past that while the market shares were not important, scale is important because if you can't reach scale effects in this type of business it is quasi impossible you will remain competitive.

And then, indeed, there was a pickup in demand for NMC materials used in automobile applications, and our assessment is that this is mainly related to the production of a number of mainstream models from, I would say, a number of OEMs. What I call entry models is in opposition -- in contrast to niche applications. And so we see a number of OEMs introducing or multiplying the number of electrified versions that they offer, and this starts to have an impact on the demand for NMC materials.

With this, I would like to ask Filip to answer the other questions.

Filip Platteeuw - Umicore SA - CFO



Adam, on the tax question, I would prefer to wait until we have the half-year results to give you a bit more specific guidance on the tax rate. You know that the underlying trend is for a gradual increase in our tax rate. We're close to 20% in terms of effective tax rate and a theoretic of 30%, so the underlying trend is, or should be a gradual increase. But allow me to come back on that [with the half], when we have a better view on the returns mix and geographic mix.

On the reduction of net debt, the two factors that you mentioned actually are important factors to explain the reduction that is CapEx. Indeed, we will have a pretty full year with the guidance for the CapEx of EUR280m for this year. We had a relatively slow start to the year in terms of CapEx. So that is one factor. The second factor, you referred to dividends. We had no dividend payment in the first quarter. For us, that's in the second quarter.

So there's a number of -- we have underlying very strong operating cash flows. And secondly, in terms of CapEx, in terms of no dividends, that means that we had a relatively high free cash flow which helped to reduce the net debt.

Adam Collins - Liberum - Analyst

Very good. Okay. Thanks, Filip.

Filip Platteeuw - Umicore SA - CFO

If I may add, Adam, so it's a slow start of the year, actually, the reality is that the CapEx spend is not evenly distributed across quarters, in particular because of the timing of the investments in Hoboken. And you know that we're investing EUR100m in the Hoboken expansion. A small portion of that we spent last year, and the vast majority will be spent here in two major phases. And that creates a distortion in the distribution of the CapEx spend across quarters, because the full-year guidance remains EUR280m and that's (multiple speakers).

Adam Collins - Liberum - Analyst

Okay. Thank you.

Operator

Simon Fickling, Exane.

Simon Fickling - Exane BNP Paribas - Analyst

Good morning, all. Firstly, on the battery materials business, you commented on the NMC side. I wonder if you can talk on the automotive side, on the other technologies. I'm thinking in particular LFP, what dynamics you're seeing there, and if there's any change to the midterm outlook in terms of what the balance of technologies, cathode technologies, is likely to be?

And then a couple on catalysis, please. Firstly, on the HDD, is it fair to assume that most ramp costs were taken in last year in relation to the new HDD CapEx, or will there be some lingering impact on margins in Q1 and potentially into Q2?

And then finally, on light duty, on the diesel side, I'm sure diesel sales will have been up year on year, given the pricing impact of Euro 6, but I wonder if you can comment on volumes, if you're seeing any impact from lower diesel share, for instance, in France in the first few months of this year. Thank you.

Marc Grynberg - Umicore SA - CEO

Simon, we don't see any significant change in terms of the technology makeup in the market for battery materials, so there is no significant -- we see no significant traction for lithium iron phosphate in automotive applications, as I mentioned on a few occasions in the past.



With the notable exception of Tesla that has decided to go for NCA, most if not all other major OEMs have decided to go for NMC materials in their electrified applications, and LFP has possibly more potential in energy storage applications and in a limited number of niche automotive or bus related applications, rather than for mainstream car demand.

So we don't see any significant change, and in a way these type of choices are made for the very long term by automotive makers, so you should not expect, I would say, the distribution across chemistries to change very frequently or on short notice.

Coming to the HDD ramp costs, you're right. The vast majority of the ramp costs, the startup costs, was taken in the course of last year, with the exception, possibly, of the last line we're installing and commissioning in France for the European market, so there is a little bit of residual ramp and startup costs in HDD. This being said, the most significant difference in terms of HDD contribution compared to prior years is the revenue ramp up.

And finally, to comment on the light-duty diesel evolution, you're right. There is a value uplift coming from the introduction of Euro 6 norms in the region, and we also have a significant volume uplift, because -- and despite, I would say, some of the trends that we have seen in certain markets, like the one you mentioned against diesel purchases. This being said, we have new platforms for which production has recently started and which create a noticeable volume impact for us in light-duty diesel applications.

Simon Fickling - Exane BNP Paribas - Analyst

Very clear. Thank you.

Operator

Evgenia Molotova, Berenberg.

Evgenia Molotova - Berenberg - Analyst

Good morning. Three questions as well, if possible. The first one, if you could comment on HDD market share. I know that you normally don't, but any developments or any targets that you want to reach there?

The second one is on situation with PGM rich streams for recycling. I was just wondering, because obviously last year we had all the strikes, etc., whether you see any improvements in particular from PGM miners in terms of availability of the supply.

And the last one is on energy materials. Because you reviewed performance materials in terms of the core and non-core parts of the portfolio, I was wondering if you consider divesting something in energy materials in the future. Thank you.

Marc Grynberg - Umicore SA - CEO

Let me start with the last question, Evgenia. So the answer is no, there is no divestment on the agenda of energy materials at this point in time. And I will take your questions in reverse order, if you do not mind.

PGM rich supply has improved this year. This being said, it is still a bit early to make out whether this is a sustainable improvement that follows an improvement in production conditions in South Africa, or it's a little bit of a catch-up effect with materials that possibly have been stockpiled in the course of last year, in the second part of last year.

I hope I can provide more color on that later in the year, when we publish our half-year results. Today, it's difficult to make out, I would say. And I'm still concerned, I would say, that production will not reach the levels that we have seen prior to the crisis in South Africa, because the price environment is relatively unfavorable and remains relatively depressed and the cost picture remains also relatively unfavorable for many of the operations down there.

Then, your first question about HDD, we don't have and we do not disclose a target in terms of market share. Suffice to say that market positions are relatively well established now, because the contracts have been awarded in past years for the new emission norms, like Euro 6 in Europe, etc. And I expect limited or no moves in terms of market shares going forward, except those that are derived from the ramp up of our activities.



And, again, I would like to repeat that considering our late entrance into that segment and the fact that we were very late relative to the largest market, which is in North America, our market share is -- you should assume that our market share will be somewhat more limited than it is in the passenger car segment.

Evgenia Molotova - Berenberg - Analyst

Thank you so much.

Operator

Joe Dewhurst, UBS.

Joe Dewhurst - UBS - Analyst

Hi. Good morning. Just one question, quickly. Can you say roughly what proportion of the cathode material sales are now going into automotive applications?

Marc Grynberg - Umicore SA - CEO

I can tell you that the vast majority is going to the portable applications, and to in particular the high-end electronics applications. So, we see a good traction in automotive demand, however, starting from a small base, and so this represents still a limited fraction of -- or proportion, I should say, of what we're selling today.

Joe Dewhurst - UBS - Analyst

Thanks very much.

Operator

Mutlu Gundogan, ABN AMRO.

Mutlu Gundogan - ABN AMRO - Analyst

Yes. Thank you. I have two questions on recycling and one for the Group. On recycling, when will you know when the second shutdown will take place, and can you explain to us on what that is dependent?

The second question is on the recycling demand, once you have done the shutdowns. In 2016, can you indicate how much of your capacity growth is already covered by contracts?

And then finally, again on the guidance, can you provide us a rough estimate of the split of the REBIT this year? So, will that be a 50/50 split in H1 and H2, or how should I see that phasing? Thank you.

Marc Grynberg - Umicore SA - CEO

Mutlu, the shutdown, the second shutdown is already planned and it will take place in Q3 to the largest extent, and so of course we have to plan that in advance because of the investment. It's not just about maintenance works that are going to be carried out, but it's a very significant investment. So the



equipment had to be ordered. Contractors have to be available at the right point in time. Investment execution is going to be fairly concentrated, so it requires careful advanced planning.

The guidance split, I think it's too early at this point in time to provide a split H1/H2, so I would prefer to reserve my answer and limit myself to the full-year guidance at this point in time.

And, I'm sorry, I missed your second question.

Mutlu Gundogan - ABN AMRO - Analyst

Yes. It was on the demand in recycling. So once you've done the two shutdowns this year, your capacity will be up significantly. Just wondering how much of that capacity growth is already backed by contracts from your customers.

Marc Grynberg - Umicore SA - CEO

It's work in progress, and we're quite confident that we'll be able to indeed feed the extra capacity as it will gradually come on-stream in the course of next year, and so we're making good progress in terms of sourcing materials.

It's difficult to establish a distinction between a contract that's worth securing for the additional capacity or for the base load. There is no such distinction being made in reality. But the evolution of sourcing continues to be very positive, so there is a great degree of confidence that we'll have plenty of material to feed the plant.

Mutlu Gundogan - ABN AMRO - Analyst

Just maybe as a follow-up, so if there's no distinction between the additional capacity and the base load, does that also mean that in terms of pricing there is no difference? Because I would say that when you announced the 40% capacity expansion, it was expected that it would be dilutive, so to say, to the returns of the business.

Marc Grynberg - Umicore SA - CEO

Mutlu, when you negotiate a contract with a supplier, you do not enter into a discussion of whether that material will be processed as part of the extra capacity you see or as part of the existing capacity. So we do not have this type of discussion, so I cannot answer that question about -- in a different manner.

Mutlu Gundogan - ABN AMRO - Analyst

Okay. Okay. Very helpful. Thank you.

Marc Grynberg - Umicore SA - CEO

Okay. And actually, with this I would like to close the Q&A session, with a bit of apologies because the Q&A session is a little bit shorter than on previous occasions. Filip and I have a fairly tight schedule today. And this being said, please feel free to get in touch with our investor relations team. Evelien and Ines will be more than happy to follow up -- to take your follow-on questions, follow-up questions, and duly address them.

So, with this, I would like to thank you for your participation to the call this morning, and we'll be in touch shortly. Thank you, and have a very nice day. Bye-bye.

Operator



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

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