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PRESENTATION

Operator

Good day ladies and gentlemen, and welcome to the Umicore H1 results conference call. For your information, today's conference is being recorded. At this time, I would turn the call over to your host today, Mr. Marc Grynberg. Please go ahead, sir.

Marc Grynberg - ***Umicore NV - CEO***

Thank you, and good morning, everybody, and welcome to the presentation of Umicore's results for the first half of 2015. I will talk about the overall business evolution as well as the outlook for the full year. And then I will hand over to Filip who will cover the financials. I will then wrap up before handing the call over to you for any questions that you might have.

If we look first at the overview, we can see that revenues were well up compared to last year. The 12% increase in revenues, primarily reflects strong volume growth in Catalysis and Energy & Surface Technologies. And I will go into more details about this growth in a moment.

Our earnings have shown an even stronger improvement with recurring EBIT up by 24%. The volume growth that drove the revenues in Catalysis and Energy & Surface Technologies has been the main contributor to the increase in EBIT. And clearly the growth investments of the past few years are now generating revenues that are coming through in meaningful proportions to the bottom line.

The currency exchange rate did also have a positive impact on the earnings, although this was much less significant than the volume effects. And on balance, metal prices did not have much of an impact.

The growth investments that we are currently undertaking are all progressing smoothly or even ahead of schedule. The 40% capacity expansion in Hoboken is making good progress and we have successfully completed the investment there, during the first of this year's two extended shutdowns.

Looking ahead, demand remained solid and I am sufficiently confident in the performance of the business to say that we will generate a full-year recurring EBIT in the upper half of the range of EUR310 million to EUR340 million that I gave back in April and this under current conditions.

Let's take a look at how we see things evolving in each of the business groups. In Catalysis, we expect strong demand levels and a supportive mix to continue both for light and heavy-duty applications. Although, this will be offset to some degree from an earnings point of view by higher depreciation charges and startup cost as new capacity comes on-stream in Europe.

In Energy & Surface Technologies, demand for cathode materials should stay strong, while startup costs and depreciation charges will increase as we commission more new capacity. Some seasonality effects should be expected in the other businesses within that segment, which means that the first half figures should not be simply extrapolated.

In Recycling, supply conditions remain supportive or very supportive and we expect the increased throughput rate after the current investment wave in Hoboken to compensate for the lost production days.

Let's now turn to the business review and comment on the evolution of the three business groups in the first half of this year. Catalysis was the business where we saw the most spectacular improvement in performance with revenues up by 18% and recurring EBIT up by 48%.

Overall, this was driven by a positive volume and mix evolution and the ramp up of our heavy duty diesel business. If we look further at the light duty business, our revenues grew faster than car production levels, globally as well as in all regional markets.

In Europe, the growth was mainly driven by the introduction of Euro 6b compliant platforms and a favorable product mix resulting from the particular platforms where our catalysts are present.

In China, while the growth of the automotive market has started to decelerate, our revenues have increased quite considerably. This is in part due to our platform mix, which is influenced by a strong presence with international car producers.

In North America, we also saw positive volume and mix effects.

On the heavy-duty side of the business, we see the technology and infrastructure investments of the past years really starting to pay off as the production levels ramp up both in Europe and in China.

The precious metals chemistry business unit also showed huge revenue and earnings growth due to higher demand for precursors used in a number of catalytic applications.

Looking briefly at the investments that we have underway in automotive catalysts, we have received such strong demand for Euro 6 related products in Europe that we will need additional capacity in the region, and we are there for accelerating the completion and commissioning of our new production facility in Poland.

The technology development center in South-Korea will be operational later this year; and the plant in Thailand, which is at an early stage of development is scheduled to be operational in the second half of next year.

Let's now look at the evolution in Energy & Surface Technologies. The growth profile looks very similar to Catalysis with revenues up by 24% and recurring EBIT up by 46%. Although some of this can be attributed to the recent acquisitions made in Cobalt & Specialty Materials, the vast majority of the growth comes from underlying volume growth.

In Rechargeable Battery Materials, the volume progression has been very strong with demand for high-density cathode materials for high-end portable electronics continuing to grow.

On the automotive front, the demand for our NMC materials increased too as the number of electrified car models continues to rise and demand for NMCs used in E-bus applications is providing additional traction. This has been a particular trend in China where we are well positioned to serve customers from our production facility in Jiangmen.

The other business units all recorded solid volume growth. It is perhaps worth pointing out the significant improvements in the performance of the electro-optic materials and thin film products activities. These business units have faced significant market challenges in recent years and it is highly satisfying to see these positive developments. They can be partly attributed to cost discipline and a more focused product offering and production footprint in each unit.

You can see the investment picture in Energy & Surface Technologies here. I would like to single out the capacity or the continuing capacity expansions in Rechargeable Battery Materials in South Korea and in China. The demand levels are currently growing so fast that we are bringing the commissioning of the new lines forward and we are already looking at further investments to keep pace with our customers' requirements.

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In Recycling, we recorded stable revenues and a 6% increase in recurring EBIT. In Precious Metals Refining, the revenues were stable. Although we processed lower volumes at the Hoboken facility, this was offset by an improvement in the supply mix both for industrial byproducts and end-of-life materials with more complex materials being treated.

This mix effect also had a positive impact on earnings. It is worth adding that the overall metal price impact was not material. Indeed, the average received price for precious metals was higher year-on-year, while prices for most specialty metals continued to decline, particularly selenium and tellurium prices.

The 40% capacity expansion in Hoboken is progressing well. We successfully completed major investments during the second quarter and the next investment wave should be completed by the end of the summer. From a volume perspective, the plan is to be able to make up for these longer-than-usual shutdowns, and we expect overall volumes of process materials for the full year to be largely similar to those in 2014.

Additional investments in certain auxiliary services are planned for 2016 and are expected to be carried out without any prolonged stoppages of operations.

In the Jewelry and Industrial Metals and in Platinum Engineered Materials activities, we recorded stable revenues, while revenues were higher in Precious Metals Management due to some more favorable conditions on the precious metals markets.

The only business that did less well than last year was Technical Materials, where we faced some market challenges. I have already commented on the progress of the Hoboken investments. In Jewelry and Industrial Metals the investment in the silver refining capacity expansion in Thailand is proceeding according to plan.

Looking at the Corporate items now, overall costs were down a few percent compared to last year, this has been driven by continued cost discipline in the corporate functions and a somewhat lower level of R&D spend at Group level as a number of key projects moved into the delivery phase.

We have chosen to report our minority stake in Element Six Abrasives in the Corporate segment as it is managed as a financial investment with operating control in the hands of our JV partner. The contribution from this minority stake was significantly lower this year due to a contraction in one of its main end markets although some of this impact was offset by cost control measures and targeted restructuring assets.

You will also recall that we have decided to find an alternative future for our zinc businesses outside Umicore. Under accounting norms, we therefore report these activities in a separate segment. There is actually nothing really new to add on the establishment itself of separate legal entities to prepare us for an eventual sale and our ambition remains to divest these activities by the end of next year, market circumstances permitting.

In terms of business evolution it was one of contrasts. The Building Products business unit recorded lower sales volumes as a result of continued weakness in the European construction market and premiums also remained under pressure.

Zinc Chemicals on the other hand saw a strong increase in revenues and earnings driven by higher volumes and margins.

Although we intend to divest these activities we remain committed to ensure they are as competitive as possible and best positioned for the future. We have a number of investments under way in Zinc Chemicals in particular and the largest project there is the construction in China of a new and state of the art plant for zinc powders, which is nearing completion. And actually this project comes timely as the demand for our products keeps growing.

The total number of people employed by Umicore remained stable during the period with some increases in the Catalysis and Energy & Surface Technology businesses largely offset by some reductions elsewhere.

On the safety front the developments were not as good as we expected with a higher number of accidents, the only bright spot if I may call it so, is that the overall severity rates of these accidents has been lower than in previous years.

And with that I will now pass the call to Filip, who will comment on the financial aspects.

Filip Platteeuw - ***Umicore NV - CFO***

Thank you Marc, and good morning everybody. Now, before we review the financials you will have noted that our financial statements, at the back of the press release, have undergone some changes as a result of the new segmentation and in particular the decision to report our two zinc units as discontinued operations in accordance with IFRS 5.

As a result, our consolidated financial statements now show the zinc units grouped as a single line item on the P&L, the balance sheet and the cash flow table. I kindly refer to the extended notes to our financial statements for more details on this change and in particular to note number 10.

For the avoidance of doubt, the key Group figures presented on the first pages of our press release do obviously still include the zinc units and this is for ease of reference.

Moving now to the numbers, the increase of our recurring EBIT by 24% compared to the growth in revenues of 12% illustrate the leverage effect created by strong demand and the ramp up of new installations on our operational efficiency and profitability, and this particularly in Catalysis and Energy & Surface Technologies.

The appreciation of the US dollar and pegged currencies versus the Euro acted only as a secondary driver to our revenue growth. As we mentioned in the first quarter call, we have seen a time lag effect when it comes to the currency impact as we made good on contracts secured at the end of last year.

Recurring EBITDA increased by EUR39 million year on year, which speaks to recurring EBIT growth of EUR33 million as D&A charges were up EUR6 million following past investments.

We expect a somewhat higher D&A charge in the second half of this year compared to the EUR89 million incurred in the first half as new plants and production lines are being commissioned.

Our return on capital employed recovered quite sharply from last year's low and now amounts to 14.4% over the first six months. The tax charge falls broadly in line with the underlying profitability resulting in an effective recurring tax rate of 23.8%.

Recurring net profit grew faster than recurring EBIT driven mainly by positive Forex effects on received dividends corresponding to a recurring earnings per share of EUR1.20 for the first six months.

As in previous periods, our businesses continued to generate strong cash flows that fund growth investments. Operating cash flow before changes in working capital increased by close to 40% year on year. The difference with previous periods is that the business expansion has reversed the working capital trend with a EUR78 million increase in working capital over the first six months of this year. This increase was tempered by a release of working capital needs in the discontinued operations in the zinc units.

With many expansion projects firmly underway and in some cases even accelerated we currently still expect to spend approximately EUR280 million on Capex over the full year of which we already spend EUR100 million in the first six months.

The waterfall chart on the next slide shows a close to stable net financial debt moving from EUR298 million at the end of December of last year to EUR314 million at the end of June. This includes the payouts of the dividend in May and a cash tax charge, which increased proportionally to the underlying results.

As a consequence our solvency ratio has hardly moved and it reflects a solid capital structure and the fact that our expansion has had no meaningful impact on our funding capacity. Our average weighted net interest rate over the period was stable at about 1.56%.

Finally, non-recurring items had a negative impact of EUR30 million on EBIT. Half of this is restructuring related with cost reduction measures in Technical Materials being the most significant factor.

Impairments of permanently tied-up metal inventories reflecting the price decline in a number of metals had a negative impact of EUR6 million. The other category covers a number of one-off effects, such as for example, some expenses linked to the closure of our zinc oxide production facility in India.

More than half of the EUR30 million of non-recurring items is non-cash in nature.

With that I hand it back to you Marc.

Marc Grynberg - ***Umicore NV - CEO***

Thank you, Filip. I would now like to wrap up the key messages from today's results. We have a strong first half with earnings and revenues growing well across businesses. In line with the indications that I gave you last year, much of this growth has been driven by increased volumes and particularly from investments that we have made as a platform for long-term growth.

In addition to this, we have seen a positive mix evolution in several businesses. I am confident in the prospects for the full year and if current conditions persist, that recurring EBIT for the full year 2015 should be in the upper half of the range that we provided back in April.

In terms of growth investments, all our projects are moving ahead as planned with the Hoboken facility having successfully completed a first wave of investments in recent weeks and further capacity increases in Automotive Catalysts and Rechargeable Battery Materials even having to be accelerated due to the strength of customer demand.

Before I hand the call over to you for questions, I would like to draw your attention to the Capital Markets Day that we will be hosting in London on the 2nd of September. This event will provide a platform for us to outline our strategic ambitions beyond Vision 2015. We'll be providing insights into the overall ambitions for Umicore to 2020, some insights into our key growth projects, as well as a chance to interact with our management team. We'll obviously be delighted to see as many of you there as possible. So, please contact our Investor Relations team for further details if you have not already done so.

And with this, I would like now to open the call for questions.

QUESTION AND ANSWER

Operator

(Operator Instructions) Mutlu Gundogan, ABN AMRO.

Mutlu Gundogan *- ABN AMRO - Analyst*

I've got two questions on metal prices and two questions on Catalysis. So, the first question is that metal prices have come down significantly since the Q1 results. How does that change your outlook for 2016? Do you still expect earnings growth in recycling assuming current spot rates?

The second question is on the sourcing availability of metal prices. We've seen some capacity curtailments on the metals and mining side, so how does that look for 2016 and beyond?

The third question is on the automotive industry. We've seen various OEMs bring down their full-year forecast. How does that fit into your orders? I see you made some comments on China, perhaps some more color on that.

And then finally on HDD, you've disclosed very little about this business in terms of financial performance. Can you at least share with us where we stand in terms of profitability? Is it profitable and how do margins compare to the LDV business and how dilutive are the returns to the Catalysis segment? Thanks.

Marc Grynberg *- Umicore NV - CEO*

Let me start to address your questions. So, first of all, indeed yes metal prices have come down significantly since the first quarter update. And let me first deal with the shorter-term considerations. This is, off course, factored into the forecasts that we have provided today, that we have updated today. And that's also why we have, I would say, made it clear that the forecast was given under our current conditions, so indeed, factoring in the metal price decline.

Now, you would recall that quite some over the year precious metal exposure or the hedgeable metal exposure had been hedged for 2015. So, there isn't much of an impact there. And most of the impact that we see short-term is related to the decline in secondary metal prices; all those metals that cannot be hedged.

For 2016, I think it's a bit early to tell because at this stage, it's speculation. We don't know where metal prices and currency exchange rates are going. I think it's important to look at both elements. But I would say, if we were to single out these two factors, I mean, metal prices overall and the currency exchange rates to single them out from all other moving parts, I would say that compared to today, the figures for 2016 would roughly be impacted by some EUR20 million.

And that is, I would say, a net impact of the metal and currency effects, and taking into account that a small portion of the precious metal price exposure was hedged into 2016, which means that indeed a pretty significant chunk of the impact that I have estimated, I've indicated is related to non-hedgeable metals.

In terms of availability of metals in the short- medium-term, it is actually very supportive, which has also been one of the underlying reasons for the mix improvement and the margin improvement in the Recycling business, and the outlook that we have today remains very positive and very supportive of the capacity expansion that we are undertaking as we speak. So the availability of complex materials remains very good and the curtailment that you have alluded to does not seem to impact the high-end of the market of the supply segments that we are targeting and addressing mostly.

In the catalyst business -- and I'm moving to your third question, the order book, as you will recall from previous discussions, the order book that we have gives us approximately 3 months visibility in the catalyst market. That's the, I would say, the horizon that we have for call offs, and beyond 3 months we work with the production forecast of our automotive customers.

The order books and the call offs are strong for the coming 3 months, so we have indeed good indications that the trends that were observed in the first part of the year, in terms of volume and mix, will continue to support the business in the second part of the year.

And indeed we have seen a certain deceleration of -- or we are seeing or expecting, more than seeing actually, a certain deceleration of demand in China, because it's not yet truly visible in the call offs. So that's based on the forecast of car manufacturers and that's also factored in the forecast range that I've provided today.

For HDD, and that's your last question, I will not go into more detail. We are not disclosing the profitability of sub-segments within our businesses, and we will not make an exception for HDD there.

Mutlu Gundogan - ***ABN AMRO - Analyst***

Okay, thank you Marc.

Marc Grynberg - ***Umicore NV - CEO***

Suffice to say that we're happy with the quality of the ramp-up and the pace of the ramp-up of our HDD business, indeed.

Mutlu Gundogan - ***ABN AMRO - Analyst***

I can imagine. Okay, thanks.

Operator

Peter Olofsen, Kepler Cheuvreux.

Peter Olofsen - ***Kepler Cheuvreux - Analyst***

Follow-up question on the Catalysis business. In the US, the Environmental Protection Agency and the Department of Transport are working on a new legislation for heavy duty, so I was wondering whether this may be an opportunity for Umicore to enter the US market.

And then on Rechargeable Battery Materials, could you provide your revenue split between portable electronics and automotive, and maybe shed some light on the competitive environment and on pricing.

Marc Grynberg - ***Umicore NV - CEO***

Let me start with the US HDD market. In theory, any change in legislation can provide an opportunity for us to bid for business. Of course, on condition that the change in the legislation is, I would say, sufficient enough to warrant a redevelopment or a redesign of the engine configuration and the exhaust configuration for that engine.

So, it's a bit of a theoretical response, and the focus that we have today is, first of all, on continuing the ramp-up of the existing business. And this being said, we continue to watch every opportunity indeed to improve our position in heavy duty as we would do in any other business, by the way.

Regarding the Rechargeable Battery Materials business, I'm not going to provide you a detailed split of revenues. Suffice to say at this stage that the vast majority of volumes comes from the portable segment still today. This being said, the growth from/the pick up from the automotive demand is somewhat faster than the growth we see in portable applications.

So, you should expect a continued shift in proportions going forward with a higher proportion of automotive demand going forward. And prices, yes, this remains a competitive segment like all the segments in which we operate, and so our price continues to be an element of the market positioning and the offering. And it is of course important for us to reach scale effects soon enough so that volumes can help to make up for any price impact that we may have in that segment. But that's I would say the reality in most of the business where we operate, it's not specific to Rechargeable Battery Materials.

Peter Olofsen *- Kepler Cheuvreux - Analyst*

Okay. Because the reason for asking is that we have seen globally that the smartphone market has been losing momentum, but that has not caused the situation in battery materials to change dramatically.

Operator

Did that answer your question, Mr. Olofsen.

Marc Grynberg *- Umicore NV - CEO*

Yes, I think that that was a statement more than a question.

Operator

Okay very sorry. Thank you so much sir. Tony Jones, Redburn.

Tony Jones *- Redburn - Analyst*

And I have got couple of questions on Catalysis and then one on cash flow. And can you quantify even roughly what the extra depreciation and ramp up costs might be in the second half and whether that will continue into 2016?

On the HDD supply, the need for the new capacity that suggests that this might be continuing, so could you confirm whether you are taking market share?

And then on the cash flow for Filip, you have explained the impact of the change in mix having a negative impact on working capital but with new assets coming online over the second half, will we see this drag continuing into second half and maybe early next year? Thanks.

Marc Grynberg *- Umicore NV - CEO*

Maybe take the D&A, the last one.

Filip Platteeuw *- Umicore NV - CFO*

Yes.

Marc Grynberg *- Umicore NV - CEO*

Before you address these questions, I would like to clarify that the new capacity that is coming on stream in Europe is mostly for light duty applications.

Tony Jones - ***Redburn - Analyst***

Okay.

Filip Platteeuw - ***Umicore NV - CFO***

So Tony, on the D&A we do expect a higher D&A indeed in the second half than the first half, but nothing I would say major. If you take the EUR89 million of the first half you double that and you add something. We just want to highlight that that will be part of the seasonality as it has been over the last periods because indeed to take your second part of your question, we expect that to continue into next year as we continue obviously to invest and as the investments that for example we made this year will have an impact on the D&A charges next year.

So nothing really major. We just want to highlight that that is indeed a trend that will continue and that plays a role in the seasonality for Catalysis and also in part for Energy & Surface Technologies.

On the cash flows indeed we've seen -- which I think is normal with the substantial pickup in volume and in business -- we've seen an increase in working capital. You remember that over the last 2 years we released about EUR150 million in total of working capital and you also see that with other companies. So that's in line, I would say, with the underlying business growth. It has been concentrated, I believe, in the first half indeed.

So I do expect that in the second half we should see a much more stable working capital profile, at least nothing fundamental and the new expansions obviously will have an impact, but again, I do expect, when you look at the working capital needs for the full year, that we should not be fundamentally different than what we have had at half year.

Marc Grynberg - ***Umicore NV - CEO***

And if I may add Filip, Tony, you should also bear in mind that metal prices have an impact on our overall working capital requirements quite quickly through the receivables and so the recent decline in metal prices may also influence the working capital requirements in the second half of the year.

Tony Jones - ***Redburn - Analyst***

Okay, great. Can I ask just one quick follow-up? And just on light duty Catalysis in Europe is there any sign at all either in what you just reported or your order book for the next 3 months of any mix change; because there is a lot of debate about this move away from diesel and so perhaps you could shed some more light on that? Thank you.

Marc Grynberg - ***Umicore NV - CEO***

No, indeed that's a debate that continues and that we discussed on prior occasions as well, as you will undoubtedly recall. And the answer to your question is no, we don't see any change in the mix in the order book today.

Tony Jones - ***Redburn - Analyst***

Thanks Marc, that's great.

Operator

Evgenia Molotova, Berenberg.

Evgenia Molotova - ***Berenberg - Analyst***

I actually had one question on new capacity on the smelter. If you could clarify when you were saying that return on capital employed of the new capacity will be lower than that of the existing one. I understand that a lot of that is due to simply depreciation, higher depreciation, higher capital employed, but can you explain methodically what is changing when you are adding new capacity and what will be the total return of the 500 kilotons that you are going to have?

And the second question is on energy materials and cathode materials for electronics. Syntronics had results today and they said that the recent slow down in PCs and tablets, et cetera, so they are expecting their sales to go down in H2. So do you see any slow down in demand for cathode in electronics?

Marc Grynberg - ***Umicore NV - CEO***

Okay, let me start with the second question about the demand for electronics, no, we don't see signs of a slow down because first of all we're not so much exposed to portable computers anymore as we have explained in the past. There has been a gradual shift of our product mix towards higher end products like tablets and smartphones, and it is fair to say that today the smartphone demand is one of the key drivers.

Plus also the continued introduction of new models and new functionalities that demand higher energy density like 4G connectivity, larger screen sizes, et cetera, is also a driver to the demand in that business. And so we don't see much impact of the PC or tablet slowdown that you allude to. Although it is also fair to recognize that the demand patterns are not in the air in that business and are somewhat influenced by the introduction of new models.

The key message from this half year's release regarding Rechargeable Battery Materials, however, is a fact that automotive demand is starting to pick up very nicely and come in meaningful numbers for us.

Let me now move to your first question Evgenia.

Evgenia Molotova - ***Berenberg - Analyst***

I just am not sure if I formulated this right, I was just trying to understand the overall return of the new capacity?

Marc Grynberg - ***Umicore NV - CEO***

Now, let me turn to your first question about the return on the new capacity. You are right, as we have indicated in the past, the return on the new capacity is not expected to be as high as the overall return, the average return that we achieve on the existing business configuration.

This being said, the return -- and that's what justified the project to a large extent, the return that we will achieve on this new investment is well above the cost of capital and therefore will be value creating. And why is the return different than the average return that we have achieved so far, is because the mix in volumes that we process today with the 350,000 tons of capacity cannot be arithmetically extrapolated to 500,000 tons of capacity. So, the quality of the mix remains more or less the same, but in a way the proportions may change somewhat because of the much larger volumes that we will process, not all the supply segments are growing at the same speed, in other words.

And you may recall from previous conversations that actually the main target segment of our expansion assets in Recycling is the industrial byproducts, the complex industrial byproducts. So, the proportions will likely change somewhat and that explains the lower returns. Once again, I insist the project will be highly value creating with returns well above the cost of capital.

Evgenia Molotova - ***Berenberg - Analyst***

Yes, of course I understand it will be much higher than the Group average return, yes.

Marc Grynberg - ***Umicore NV - CEO***

And much higher than the Group average return indeed.

Operator

Wim Hoste, KBC Securities.

Wim Hoste *- KBC Securities - Analyst*

I have three questions, please. First, on the guidance, the upgrades or the narrowing up of the guidance range, can you explain what the key drivers behind that are? Is it faster than expected growth in Catalysis and Energy & Surface Technologies? Is it, yes, maybe, a faster or better completion of the expansion projects in Recycling or a combination of that? That's the first question.

Then, on Recycling, a question about the availability of the capacity expansion into next year. I read from your press release that there will be some additional investments in auxiliary services in 2016 without a major stoppage of operations. Does that mean that we should expect the 40% capacity expansion to be relatively rapidly available in early 2016?

And then a question, a last question on Rechargeable Battery Materials. Is there any update of the court case against BASF or any view on a potential settlement or that or anything like that? Thank you.

Marc Grynberg *- Umicore NV - CEO*

So, let me first address your question regarding the guidance. The main driver behind the upgrade or narrowing down of the guidance range is indeed the strong underlying demand in the Catalysis and Energy & Surface Technologies. While the assumptions for Recycling have not changed compared to those that we have used when we issued the initial guidance back at the end of April.

With the exception, however, of the secondary metal price effect that I alluded to earlier, that we have now factored in the forecast, a lower contribution from these secondary metals in the second half of the year.

In terms of availability of the capacity for next year, I should be in a position to be somewhat more precise at the time of the Q3 update, at the end of October because then the second phase of investment which is currently being carried out will be behind us. And we'll have a pretty good view on how the facility has restarted and what the exact throughput rate is after these major investments.

This being said, at this stage, I would only repeat what we said earlier, which is still the base assumption and the base plan: it will take one to one and half year to gradually ramp up the capacity after the investments have been -- the major investments have been completed in the second part of this year indeed.

And the comments about the fact that we will carry out some additional investments in auxiliary services in the course of next year was meant to say two things, one is that the investment program doesn't stop: it's not because we have had a major wave of investments starting at the end of 2014 and going through the end of this year that investments are stopped. In Hoboken there are continued investments; we're planning to more normalized levels of investments, but with a continued focus on process and throughput improvements, more efficiency, et cetera.

And the second message that we wanted to give was indeed that these investments would be carried out without prolonged stoppages meaning that unlike what we have this year we would return to a, I would say, a pattern of normal maintenance shutdowns as early as in 2016.

As far as the Rechargeable Battery Materials court case is concerned, there is nothing really particular to report and the case is ongoing. And because it is ongoing you will, of course understand that I cannot go into the substance of the case. I can only repeat our view and our position that we believe that the allegations made by BASF and Argonne do lack merit and we are defending ourselves vigorously and we are defending our position and our technology vigorously and defending the position that we are not infringing on any of the patents that are owned or used by BASF or Argonne.

And it remains a little bit of speculation why BASF and Argonne have launched such an aggressive approach. And I think that industry observers will understand that -- and will see that Umicore has been relatively more successful in positioning its technologies and products in the marketplace than some of its key competitors. And so I cannot totally rule out that there may be some commercial tactics behind this aggressive attack on Umicore.

But that's all I can say at this stage. There is nothing else to report, the case is ongoing and we expect more clarity on the proceedings before the International Trade Commission towards the middle of next year.

Operator

Adam Collins, Liberum.

Adam Collins - ***Liberum - Analyst***

I have four questions, please. So first of all, Marc, could you give us an update on how your discussions with customers are going in terms of filling the additional 2016 capacity in Recycling?

And the second one and third are on Energy & Surface Technologies. You mentioned that we shouldn't extrapolate from the first-half to the second, double the Energy & Surface Technologies number because of seasonality. Could you just explain what the seasonality issues are across Energy & Surface Technologies for us again?

The third one on Energy & Surface Technologies is on the energy storage side. The statement talks about progress. I know that's a relatively small area relative to consumer and automotive. But what's your outlook for energy storage? Is that going to become a meaningful growth driver, do you think, for the business looking forward?

And then, finally, on the zinc divestment, we're seeing challenging trading conditions, and of course, there's the French competition review. To what extent is that proving an issue in terms of your discussions with potential buyers of that business? Thanks very much.

Marc Grynberg - ***Umicore NV - CEO***

So let me first talk about the capacity -- filling the capacity in Recycling. The commercial efforts are progressing very well in securing additional supplies so that we can gradually grow the business and use the capacity that will gradually come on stream in the course of the next few months and years.

So we're making progress as we had anticipated, and so we're fully in line with our expectations in that respect. And I would say that the supply conditions remain very favorable both in terms of quantities, mix and in terms of commercial conditions, as we look at the 2016 supply book.

In terms of Energy & Surface Technologies, the seasonality comes from a number of activities and in particular the Cobalt and Specialty Materials activities you have in the chemicals part of the business, in the tool materials part of the business, where you still have quite a significant European exposure. You have indeed quite a bit of seasonality with lower demand in the summer months and a shorter sales month in December, so that's something that has to be kept in mind. Nothing out of the ordinary; we just wanted to repeat that the figures shouldn't be simply multiplied by two.

Energy storage is an attractive and promising business segment within the battery materials space. This being said, this is a longer-term, I would say, opportunity; we see it as a longer-term opportunity than automotive or E-bus or portable electronics.

And while this is on the agenda, and is part of the business portfolio already, and we are delivering materials for such applications, it is not big in volumes for us, relative to either the portable electronics or the automotive demand at this point in time. But it is a promising third segment of demand that will require some of our attention in the future. And let me finish with the building products situation and the French competition.

You may recall that we have indicated that the -- because we cannot do everything at the same time anyway -- that in terms of sequence, we are working on a divestment of the Zinc Chemicals activities first, and then we will work on the divestment of the Building Products activity.

Although from a technical point of view, the creation of the distinct legal entities is being done simultaneously, the sale process is not going to run in parallel but in sequence with Zinc Chemicals coming first. This to say that we hope and that by the time that the Building Products business is ready to be proposed or offered for sale that the competition case may be closed.

We will see how things go. We don't have, I would say, a clear and firm timeline for the hearings and the next steps in the process in the competition case, but that's the hope that I can express at this point in time. So I hope it will indeed not interfere.

Operator

Andrew Benson, Citi.

Andrew Benson - *Citi - Analyst*

Not surprising most of the questions I had were -- have been answered. Just a couple of minor ones, the difference in working capital between the presentation and the slide show that's just to do with the consolidation, where one consolidates the activities to be sold, the other one is the core business, I just want to qualify that.

You've taken some impairments on metal pricing as exceptional. I would've thought that is ongoing business but presumably then does it mean that if metal prices are volatile in the future, you will have likewise exceptional charges. And lastly, can you just put a bit of detail on the products in the automotive side for battery materials and just trying to dimensionalize what you're seeing in terms of growth and scope and outlook for the next couple of years?

Filip Platteeuw - *Umicore NV - CFO*

Yes, on the working capital, I can confirm that it's indeed the difference between on the one hand, what is now called the continuing operations for everything but the zinc units and then on the other hand the discontinued operations, which are the zinc units and they had the diverging evolution in working capital and so that's why we focus on the net, which was the EUR78 million increase in working capital for the full Group including the zinc units.

The impairments on NCI is something that -- it's all permanently tied up inventory -- that moves along with metal price fluctuation. This is a non-cash impact, and indeed if metal prices increase then you would see a reversal. And we have for everything which is non-recurring, I would say, a pretty strict definition of what we consider as non-recurring and in what category it goes and this typically is something that we would always put in in non-recurring items because it's non-cash and it's really a one-off and it doesn't really influence the operational performance of the business or of the units.

Marc Grynberg - *Umicore NV - CEO*

Okay, and let me then answer your other question regarding the growth of battery materials demand from the automotive segment. We expect the market demand growth very significantly in the next few years as we have also indicated in the past. So the demand should grow at double digit figures and actually relatively fast going forward. And we believe that we are well positioned both from a technology and platform qualification point of view in order to capture a decent share of the rapid growth in the market.

I would like to point out one element that was also mentioned in the press release, that there is demand for a fairly large scale application that is also coming up nicely that is E-buses. There are a number of cities around the world that have decided to replace their bus fleets by electrified buses and this is providing nice additional traction to the demand from the automotive segment.

So I can only confirm that the assumptions that we have made in the past and others actually supported our case for investing significantly in the rechargeable battery materials opportunity are confirmed or more than confirmed and that rapid growth is expected in that segment in the next few years.

Operator

Massimo Bonisoli, Equita.

Massimo Bonisoli - *Equita - Analyst*

Just a few clarification left. One is on hedging, most of the hedging activity was made in January, if I remember correctly, and you already mentioned the impact of metal price decline on Recycling. How much of your metal portfolio is currently hedged in 2015, and especially in 2016?

The other two are for Filip, one is on tax rate, which is likely up year on year in first half, an indication for full 2015 would be appreciated; as well as Capex, if you have an indication for the second half, especially for what's left from the expansion of Hoboken?

Filip Platteeuw - *Umicore NV - CFO*

Okay, first question on the hedging, so indeed as we mentioned in the beginning of the year, we entered into hedging for precious metals, to cover mostly 2015, some in 2016 and also as Marc mentioned. For this year, what is hedged obviously, a large majority is hedged, because we progressed in the year.

As you know, we don't quantify the impact, but I think Marc has given you a bit of insight as to the view we have today on metal prices and Forex potential impact based on today's prices.

Then on the tax rate, indeed we have I would say, a relatively small increase in the recurring tax rate. Overall, I would say, when you look at the tax, whether it's cash charges or P&L charge, it basically evolves roughly in line with the underlying profit. There is obviously an impact of geographic profit mix that plays in guiding towards the gradually increasing tax rate. So, I would say that is in line with guidance with nothing dramatic. So, we gradually move for full year.

On the Capex, we spent about EUR100 million in the first half, and the guidance remains that for the full year we expect to spend about EUR280 million of Capex, which means that the majority of that is in the second half of the year, because of the major projects that are underway.

Operator

Mutlu Gundogan, ABN AMRO.

Mutlu Gundogan *- ABN AMRO - Analyst*

Coming back to Capex, it seems that you're bringing forward certain projects. So, how should we think about Capex next year? I think, you were previously talking about a level of EUR200 million to EUR220 million, is that number higher now?

And a second question is on currencies. What has been the impact of the positive effects on REBIT? I understand that it's not as big as volumes, but can you provide at least some numbers or some comments on that? And then explain again, why we see a lag? Why has the benefit not been as high as one would expect given the positive environment?

And then finally on guidance; why do you expect a lower REBIT in the second half compared to the first half? I understand that D&A charges are higher and seasonality, but there are also a lot of positive elements that should help in the second half versus the first half. So, why are you more cautious? Is it solely on the drop of metal prices or is there more?

Marc Grynberg *- Umicore NV - CEO*

On the Capex, I don't think we provided specific guidance already for 2016. Clearly, what we said is this year is a high year in terms of Capex because you have the investments in Hoboken, and the new plants in different units, for example, in Automotive Catalysts.

So, I think it's too early to give very specific or more specific numbers for 2016 on Capex. Suffice to say that this year was indeed a high year of Capex because of the number of projects coinciding.

On currencies, we are not going to quantify it. Suffice to say that by and far the major impact on the recurring EBIT is – demand/ the effect of ramp ups, is cost efficiencies and that currencies only played a much more limited role. You have the guidance that we typically give you for the current exposure, the USD0.01 move and I would like say that there it's important that you take indeed into account this lag effect.

And the lag effect basically comes from the fact that when you enter into contracts, let's say at the end of last year, at terms which were obviously significantly different in terms of currencies than what we have today. You know we have a strict transactional hedging policy that you carry those terms across this year.

So that's basically the lag effect that we have. So, when you take into account the guidance we have given you, the EUR1 million for USD0.01 move that works well when you have gradual changes. But when you have relatively sudden changes like we've had over the last months and especially between the end of last year and this year, you need to take into account a lag effect that plays.

Mutlu Gundogan *- ABN AMRO - Analyst*

Maybe as a follow-up, so that I understand correctly. So I understand that usually the lag effect is about six months, so would that imply that the positive currency environment that we've seen in 2015 would only start to apply for the second half of the results, solely on the transactional side?

Marc Grynberg *- Umicore NV - CEO*

That depends on the contract mix and the duration of the contracts, but the principle that you mentioned is true: that obviously as we enter into new contracts this year at terms which are better in Forex, for example, than those at the end of last year, you will see that coming through indeed in the next months, yes.

Filip Platteeuw *- Umicore NV - CFO*

And, Mutlu, let me then address your questions regarding the underlying drivers for the guidance for the second half and the fact that second half should be a bit lower than the first half.

This is not driven by caution. I mean we are factoring in the forecast, everything we know today and what we see today. That includes, of course the usual seasonality, I mean it is there, it's been there forever and continues to be there. So a number of businesses and regions, have a shorter number of business days in the second half than in the first half, with the summer vacation and the month of December having a significant impact on that.

And secondly, while the underlying demand remains very supportive and strong in many areas, we have also factored in the lower price levels for secondary metals, the metals that cannot be hedged. So that's one of the elements to be taken into account with all other moving parts.

So it's not a matter of caution, I would say it's a realistic view based on what we see today, based on what we know today, based on what we have in the order books and what we can, I would say, calculate or estimate from the current training conditions.

Operator

Laurent Favre, Bank of America Merrill Lynch.

Laurent Favre *- Bank of America Merrill Lynch - Analyst*

Just one question on the working capital list. If I got that right on the discontinued side, the working capital inflow of, I don't know, EUR60 million, EUR70 million, EUR80 million and the core business was down -- had an outflow of, I don't know, EUR220 million, EUR230 million. I mean if I look at metal prices they're actually corrected before the end of June from the 1st of Jan to end of June, the basket is down, I don't know, something like 10%, maybe for you a bit less given hedging.

So am I right that you haven't actually seen the full impacts of that decline in your working capital? In other words, actually with metal prices down now another 7% or 8%, you could actually have a significant inflow. Or are you actually saying that, it's all in that H1 number, and therefore, in H2 you're aiming for zero working capital so that the full-year working capital, if we stay with current metal prices, could be down to EUR20 million to EUR30 million? I mean, it's a fairly big number, that's why I'm asking just to double-check.

Marc Grynberg *- Umicore NV - CEO*

Yes, indeed it takes -- I mean, I confirm your statement, it takes time to have that price effect to go through indeed, yes.

Laurent Favre *- Bank of America Merrill Lynch - Analyst*

Okay. So could have an influence in the second-half -- a significant inflow if things stay as they are today?

Marc Grynberg *- Umicore NV - CEO*

If you single out the metal price effect, yes, in theory, yes, because that will filter through the receivables, by definition, remains to be seen how volumes develop, and of course, some working capital will be required to fill the pipeline of the new production lines and the new facilities. So it's too early to provide overall guidance. But if you try to single out the metal price effects, yes, it has yet to come through.

Laurent Favre *- Bank of America Merrill Lynch - Analyst*

Okay. And just on the discontinued side, I mean, can you tell us -- I understand that you're running the business for cash at the moment, but do you see that you've got further improvements on this working capital to do or would you say that as of end of the first half, this business is as cash efficient as it can be or can we get another positive surprise there?

Marc Grynberg *- Umicore NV - CEO*

I would tend to agree with your statement, obviously again, it depends on the underlying business and metal prices but I would say indeed, don't expect further improvement in working capital in that part of the business.

Laurent Favre *- Bank of America Merrill Lynch - Analyst*

Okay. And as we get the balance sheet now for the discontinued, on the provision side, all I can see is something on pension. Am I right that there's nothing on this French litigation case, in terms of provisioning?

Marc Grynberg *- Umicore NV - CEO*

Yes, that's right.

Operator

Simon Fickling, Exane.

Simon Fickling *- Exane - Analyst*

A couple left, please, on Catalysis. EBIT margin was strongly up, highest it's been in quite a while, I'm sure there is an impact of the new capacity ramping up, but I also did see in the historics, I think, you restated sales slightly lower last year.

Has there been a change to the accounting treatment for precious metals, I wonder, and linked to that, the new double-digit EBIT margin, is that seen as sustainable now that that capacity is fully ramped up, or even with upside from here? And then, secondly as well, NMC, you point to as being particularly strong as a cathode platform, is that what you're seeing as currently being the preferred technology from the automotive industry. Those two. Yes, thanks.

Marc Grynberg *- Umicore NV - CEO*

Yes, on the first one, I mean, the improvement in Catalysis is based on business not on accounting, so, there has been no changes to the accounting rules, no.

And it's partly, the ramp up, as you indicated, Simon, and partly the mix, the product mix as we mentioned in the release that that has been more supportive than in the prior periods. And so, it's the combination of the two effects that explains the margin improvement, and it was an expected margin improvement. We had indicated that last year that, margins would improve as we ramp up capacity, and as the mix corrections had yet to take place.

As far as the NMC technology is concerned, the answer to your question is yes, we see that as being the preferred family of products being chosen by automotive manufacturers for their range of electrified vehicles with one notable exception that we also discussed in the past is Tesla, which has chosen to go for NCA, nickel cobalt aluminum, high nickel actually, compounds for their models. All -- most or all other, if not all, other OEMs have chosen or are moving to NMCs for their electrification part. And this is one of the reasons we believe we are very well-positioned to capture a decent share of the growth in that market.

Simon Fickling - ***Exane - Analyst***

Are you able to comment in NMC for portable electronics where you see your market position or market share?

Marc Grynberg - ***Umicore NV - CEO***

Yes, because that's relatively straightforward because we are quasi out of that business of providing NMCs for portable electronics. Our focus in the portable electronics segment is almost exclusively on the high density, lithium cobalt materials for the high end applications. That's been the area in which we have the highest degree of technical differentiation and the highest degree of success in terms of market penetration.

Operator

Adam Collins, Liberum .

Adam Collins - ***Liberum - Analyst***

Just a couple left. Net debts to the 0.6 of EBITDA and the share price is roughly 10% below its historical peaks. We haven't seen any share repurchases for a little while. So wondered if you could just talk us through your thinking about restarting share repurchases, whether that's on the agenda for this year.

And then the second one was just a point of clarification about the growth in the Energy & Surface Technologies. I think in the first quarter, you indicated that roughly half of the top line growth was relating to the two acquisitions and roughly half organic. Could you just give us an indication of what the organic growth component was for revenues and profits through the half? Just a rough idea. Thank you.

Marc Grynberg - ***Umicore NV - CEO***

Adam, on the share buyback, of course, we have been in close period for a month now and not allowed to buy back shares, but I guess your question goes back to before the close period. It is likely that the share buybacks will be resumed indeed for the reasons that you have indicated.

And then the growth in Energy & Surface Technologies is coming predominantly from organic volumes, so the vast majority of the growth is coming from there, the impact of the recent acquisitions is much less than half of the total growth.

Operator

As we have no further questions, I'll turn conference back over to Mr. Grynberg for any additional or closing remarks. Thank you.

Marc Grynberg - ***Umicore NV - CEO***

Okay. So since there are no additional questions at this point in time, I would like to, of course, thank you for your participation in this call and maybe remind you some of the key messages and takeaways from the release of this morning that we are very pleased with the evolution of revenues and earnings, which is very much in line with the indications we gave towards the end of last year. And in particular the fact that our recent growth investments projects would start to contribute to the bottom line in meaningful proportions. And it is indeed pleasing to see that that has materialized and contributed to a significant earnings recovery.

Under current conditions, and as we see a continued underlying strength in the vast majority of our businesses, we're able today to narrow down the forecast range and to upgrade it somewhat. And indeed I'm confident that under current conditions we should generate a recurring EBIT in the upper half of the range that was guided to previously.

And last but not the least, I would like to remind you one more time that our Capital Markets Day will take place on 2nd of September and we look forward to seeing you there, and have a lively interaction about the long-term strategy of Umicore and/or key projects in that respect.

In the meantime, of course, if you have follow on questions regarding the first half results or the forecast or growth projects please feel free, as usual, to get in touch with our Investor Relations team.

And at this point, I would like then to close the call and wish you a very pleasant day and weekend. Thank you and bye, bye.

Operator

Ladies and gentlemen, that will conclude today's conference, thank you much for your participation, you may now disconnect. Thank you.

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