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PRESENTATION

Operator

Good day and welcome to the Umicore full-year 2014 results conference call. Today's conference is being recorded. At this time, I would like to turn the conference over to Mr. Grynberg. Please go ahead, sir.

Marc Grynberg - Umicore SA - CEO

Thank you, Lydia and good afternoon, everybody and welcome to this presentation of Umicore's full-year results for 2014. I will talk about major business developments and the outlook for this year before handing over to Filip, our CFO, who will cover the financials. I will then wrap up before handing the call over to you for questions.

The figures we published this morning are fully in line with the earnings guidance we provided in the course of last year and we will comment on those in a moment. Actually I would like to elaborate in the first instance on the outlook for 2015, as well as on our intention to realign the portfolio of activities. While the year has just begun and there is quite a fair degree of uncertainty regarding macro factors, I am confident enough to confirm that 2014 was a trough year and that overall profitability should be higher for Umicore in 2015.

As I mentioned in the second part of last year, we start to see the benefits of recent growth investments, as well as the impact of cost-reduction measures. In particular, I anticipate a higher contribution in 2015 from the Catalysis and the Energy Materials business groups.

In Catalysis, the improvements should come from the rampup of heavy-duty diesel catalyst production in Europe and China and further growth in demand for emission abatement for light-duty vehicles across regions. In Energy Materials, revenues and profitability are set to increase further reflecting the contribution of recently acquired activities, as well as growing demand across business units.



Performance Materials is set to grow roughly in line with GDP in its principal markets. In Recycling, we have enough visibility to say that supply should be broadly in line with the conditions that prevailed in 2014 and I expect that the downtime due to the expansion investments in Hoboken should be compensated by an increased underlying throughput.

In addition, we have taken advantage of the recent strength in precious metal prices and US dollar exchange rates to hedge the precious metal and dollar components of a number of contracts for 2015 and to a certain extent contracts for 2016. These hedges increase earnings visibility and were concluded at rates that we consider correspond to attractive levels of profitability and cash flow.

Let me now provide some more comments regarding the portfolio of activities. You will have seen from the release this morning that we have plans to realign our portfolio of activities like we have done several times in the past. The purpose of this realignment is to sharpen the focus of Umicore and create for each business activity the best conditions for a successful further development.

For the two zinc business units, Zinc Chemicals and Building Products, this entails that we will be looking at divestment options. We have taken the necessary steps in recent years to strengthen the competitive position of both zinc business units and restore their profitability through a combination of selective growth investments and cost reduction measures. Both units are now in a strong position from a commercial, financial and operational point of view and are ready for the next step in their development. It has become clear though that as Umicore hones its focus on activities linked to resource scarcity or clean mobility that the zinc businesses will have better growth opportunities outside Umicore in an environment that is specifically aligned with their respective products, services and applications.

In Thin Film Products and Electro-Optic Materials, we have also faced challenging market developments in recent years. Both business units have successfully defended their competitive position and profitability and have made headway with the market introduction of an exciting range of new products. To grow these businesses most effectively further, we should now consider strategic partnerships and alliances in order to enable the units to gain critical mass and increase their market presence.

In certain countries, the operations of these units are embedded in multi-business entities, so from a practical point of view, we will need to set up separate legal entities to house these activities. As a first step, we have initiated an information process with our employees and their representatives to clarify our intentions regarding the portfolio of activities and the future direction. Once the information process is completed, we will be in a position to press ahead with the next and more concrete phase and we hope to be able to implement the portfolio realignment by the end of 2016. As we pursue this process, we will be guided by the quality and the merits of each project and the timing will remain, of course, subject to the right opportunities presenting themselves and the presence of the right market conditions.

Filip will comment on the overall group financial performance in a moment. For now, I would like to take a brief look at each of the business groups in turn starting with Catalysis. Revenues in Catalysis were up by 6% while the recurring EBIT was up by 13% year-on-year. In Automotive Catalysts, the increase in revenues was partly due to higher sales of heavy duty diesel catalysts as we ramped up production in Europe and China. We also generated higher overall global sales of catalysts for light duty vehicles with the evolution being different in each of the main markets.

In Europe, the growth was based mainly on gasoline platforms and the margin mix was therefore not as supportive. However, some of the Euro 6 diesel platforms that use Umicore catalysts were successfully introduced in the last quarter of last year and their contribution to the growth of the business should be more visible in 2015.

The engine mix evolution also played out against us in the North American market where our revenues were lower. This was because small and medium-sized vehicles to which Umicore is less exposed gained in their overall share of auto sales and production. In recent months though, we have seen the trend reversing with larger engines regaining some of their lost popularity as the gas price drops. In Asia, the main story that we continue to outpace the strong growth in the Chinese markets.

In Precious Metals Chemistry, we generated lower revenues due to lower demand for precursors used in catalytic applications, particularly in the Brazilian automotive market, which contracted substantially in 2014.

A number of investment projects for Catalysis were completed last year such as the new catalyst plant in India, which was inaugurated in January and the new HDD production lines in France and China. We have several investments underway across the globe and this year, we expect to open the new production plant in Poland and the new technology development center in Korea. You will also recall that we recently announced the construction of a new catalyst facility in Thailand to cater for the surging demand for emission control systems in Southeast Asia, particularly from Japanese customers.

In Energy Materials, revenues were up by 11% while recurring EBIT grew by close to 60%. The revenue growth was driven by higher sales volumes in all business units, particularly in Cobalt and Specialty Materials. Revenues and earnings were higher largely due to the integration of recently acquired businesses in the United States, as well as good volume growth in the ceramics and chemicals activities.



In Rechargeable Battery Materials, revenue growth was driven by the continuing growth in demand for materials used in batteries for high-end portable electronics. Volume growth in this segment is combined with the continuing evolution towards more energy-intensive products featuring larger screens and 4G connectivity. With regard to materials for automotive applications, Umicore successfully qualified for new platforms to be launched in the coming years and covering all degrees of electrification.

In Electro-Optic Materials, revenues increased due to volume growth in finished optics and a greater contribution from the recycling and refining activities. In Thin Film Products, we see the demand for indium tin oxide rotary targets used in large area display applications picking up nicely.

As you can see on slide 9, we have had a busy year in Energy Materials when it comes to growth initiatives. We completed the expansion of the Battery Materials facilities in South Korea and China. In Cobalt and Specialty Materials, we completed two acquisitions that give us a broader platform for growth in Europe and North America and we also aim to complete the upgrade of the cobalt fine powders facility in Olen, Belgium later this year.

In Thin Film Products, we entered into a joint venture with First Rare Materials in China and are currently investing in production capabilities for rotary ITO targets that will help us meet the growing demand from the large area display market in China.

In Performance Materials, although revenues were down by 3% compared to those of 2013, profitability was well up driven by a higher contribution of Element Six Abrasives. Revenues were stable in Building Products with higher volumes in Europe offset by lower demand for high-end product in other regions. Revenues were also stable in Electroplating with lower sales for technical applications, compensated by higher demand for materials used in decorative applications.

Revenues in Technical Materials and Platinum Engineered Materials were lower. In Zinc Chemicals, revenues were higher; although the overall performance of the recycling activities remains subject to the scarcity of residues for recycling from the galvanizing industry.

As I mentioned earlier, we have completed or are scheduled to complete several investments that will add to the growth potential for the Zinc Chemicals and Building Products activities. These include the opening last year of a new plant to produce surface-treated zinc in France and the new zinc powders plant, which is due to open later this year in China. These investments will add to the attractiveness of these businesses in the context of the envisaged divestment process.

In Recycling, revenues were down by 10% while recurring EBIT was down by 30%. As you know, this was mainly the result of the impact of lower metal prices. It is important though to place the performance in perspective and not forget that the return on capital employed in this business group was a very strong 40%. The effect of lower metal prices was felt most strongly in the Precious Metals Refining activities and across the three main baskets of metals. One basket being gold and silver, another one PGM and the third one being specialty metals.

The availability of raw materials remained robust in 2014 across both segments and this supported a higher intake of material. The supply mix, however, was less positive reflecting a lower availability of PGM-rich materials, partly as a result of the long-lasting strike in the South African PGM industry and the somewhat reduced fraction of richer and more complex e-scrap. The Hoboken operations managed to keep process volumes stable year-on-year with a gradual increase in underlying throughput compensating for the production downtime required last year to implement part of the expansion investment.

The Jewellery and Industrial Metals business unit recorded slightly lower revenues. Higher demand in the product businesses was more than offset by a lower contribution from the recycling activity where refining volumes were clearly impacted by a severe decline of available gold scrap compared to the previous year. The market conditions for Precious Metals Management were also somewhat less favorable given the lower metal prices and reduced levels of both industrial and investor demand.

We're making good progress with the capacity expansion of the Hoboken plant. The first phase of this EUR100 million investment program was carried out in 2014 and as I mentioned on previous occasions, some efficiency improvements are already being felt. Further major investments will take place during two extended shutdowns in the course of this year. While the total production downtime will be longer than last year, the increased throughput rate after the investment is anticipated to compensate for the lost production days. As we explained before, we should be in a position to start ramping up in 2016 with a gradual utilization of the extra capacity and the full benefit then of the expansion becoming evident the year thereafter. With regard to the Jewellery and Industrial Metals operations, we should also complete this year the final elements of the silver refining capacity increases that we have been implementing around the world.

If we look at the people side of the business, the total number of people employed by Umicore changed very little during the year. The growth initiatives in Catalysis and Energy Materials did result in an increase for the fully consolidated activities while the number of people employed by our associates fell, particularly due to the restructuring in Element Six Abrasives.

In terms of safety, you will recall that several years of continued improvement were overshadowed by the accident in Olen in January last year in which two of our employees unfortunately lost their lives. Our teams have made good progress in addressing process safety in the meantime in order to reduce the risk of such an



accident happening ever again in the future. The overall accident frequency for 2014 was slightly higher than the previous year; although the fact that 84% of sites were accident-free should serve as an encouragement that we are on the right track. And at this stage, I would like to hand over to Filip who will comment on the financials.

Filip Platteeuw - Umicore SA - CFO

Thank you, Marc and good afternoon, everyone. Consolidating the segment performance that Marc just discussed on the group level, we see that our group earnings were lower than in 2013 as the volumes growth and the benefits that we had from the cost reductions shouldn't or couldn't compensate for the impact of lower metal prices and currency headwinds. Our recurring EBIT was 10% lower while, if we strip out the increased depreciation costs that follow our recent investments, our recurring EBITDA was 4% lower. Our return on capital employed was 12.2% reflecting an increase in all segments except for Recycling, but as Marc mentioned in Recycling we still generated close to 40% returns.

Now moving to the cash flows, you can see that they remained resilient in 2014. The reduction in operating cash flow, which reflects the lower results in Recycling, was compensated by a further cash inflow from working capital. [Add that] to the amount of EUR56 million. This follows an already substantial working capital reduction that we had in 2013. The solid operating cash flow meant that after spending close to EUR250 million on CapEx and the acquisitions in Energy Materials, we still generated EUR140 million of net cash flow before financing.

Despite the fact that we had several important expansion projects underway or completed in the course of 2014, we ended the year with a CapEx of some EUR200 million and that compares to EUR280 million in 2013 and it corresponds to 1.2 times our D&A level. For the current year, we do anticipate again higher capital expenditures, most likely in the region of the level seen in 2013 as the number of sizable projects coincide such as the new plants for automotive catalysts and the Hoboken expansion program. Obviously, the large majority of our investments remain focused on growth and that is in Catalysis, Energy Materials and Recycling business groups.

As already mentioned, Energy Materials complemented its organic growth with two acquisitions in the Cobalt and Specialty Materials business unit -- one in the US and one in Europe. Those accounted for a combined cash out of EUR35 million.

Finally, we continued our commitment to focused R&D effort spending roughly the same amount as in 2013, which corresponds to 6% of our revenues.

Now next to these substantial growth expenditures and notwithstanding our lower earnings, we maintained a substantial level of cash returns to our shareholders. This in the form of buybacks, share buybacks and dividends. Together they amounted to EUR187 million, which is actually close to the level of 2013 and represents more than 40% of our cash flow from operations.

You will also recall that we canceled 8 million of our treasury shares back in September and currently hold approximately 3.5% of our shares with a mandate to go up to 10%. Umicore's Board will propose a stable full-year dividend of EUR1 per share for approval by shareholders in April. Based on our recurring 2014 EPS of EUR1.79 per share, this would correspond to a payout ratio of 56%.

Putting all cash elements together, you can see from the waterfall chart on slide 20 that the combination of growth expenditure on the one hand and cash returns to shareholders on the other led to a slightly higher level of net debt at the end of 2014 compared to the beginning of the year. Net debt at the end of December stood at close to EUR300 million. And this obviously changes nothing to the solidity of our capital structure. Our net gearing ratio stands at 15% and average net debt remains about half our recurring EBITDA. We further reduced our already low average weighted net interest rate to just below 1.6%.

Finally, let's look at the nonrecurring results. Nonrecurring EBIT was minus EUR22 million with restructuring charges accounting for EUR20 million. These were mainly related to the closure of the Element Six Abrasives production facility in Sweden and various cost-reduction measures in corporate and support functions and adjustments to the production configuration and that is in a number of units. The EUR8 million reversal of previously impaired permanently tied up metal inventories more than offset additional environmental provisions related to the remediation of historical pollution that amounted to EUR7 million. Now with this, I would like to hand back to Marc.

Marc Grynberg - Umicore SA - CEO

Thank you, Filip and before turning to questions, let me summarize the key elements of today's message. We have delivered results that are fully in line with the guidance that I gave early last year and guidance that was confirmed in the course of the year and at the end of the year and these results reflect I believe a trough year for us. We have a number of major growth initiatives underway and I expect that this year we will start to see more of the fruits of recent investments accruing to the



top line and to the bottom line of Umicore. This could be accentuated by somewhat more supportive market conditions if metal prices and currency exchange rates stay approximately where they are today and assuming, of course, no major economic downturn.

Finally, we are embarking on a process to optimize the growth and value-creation potential of our portfolio of activities. The purpose being to sharpen the focus of Umicore and create for each activity the best conditions for a successful further development. And so with that I would like to now open the floor to questions.

QUESTION AND ANSWER

Operator

(Operator Instructions). Mutlu Gundogan, ABN AMRO.

Mutlu Gundogan - ABN AMRO - Analyst

Yes, good afternoon, everyone. I have four questions, two on Recycling, one on Catalysis and one on the divestments. To start with Recycling, you expect that the significant capacity increase in Hoboken will be offset by the two maintenance shutdowns. And obviously, you want to get to 500,000 tonnes, so significant capacity increases, more than double-digit. So that means maintenance shutdowns that will last for a very long time, probably two months or so, which I find rather unlikely. So can you explain how you get to that guidance of flat volume growth because, to me, it doesn't add up?

The second question is on the energy bill in Recycling. Obviously, we are seeing oil prices come down. We know you use coal, fuel oil, electricity prices. So these should follow I think with a certain lag. So what do you expect of your energy bill in 2015 compared to 2014.

And then moving on to Catalysis, you talk a lot about HDD. You don't provide the numbers on the BU level, but can you talk about the relative size, what it is today and what you expect it to become in maybe a year or in a few years' time? What is the expectation that you have of this business?

Then finally on divestments, what do you plan to do with the proceeds? Your balance sheet is very strong, CapEx is currently high, but it should be coming down somewhat if these megaprojects end. So what do you do with the money? Those are my questions.

Marc Grynberg - Umicore SA - CEO

Okay, Mutlu, let me start with the first question regarding Recycling. Actually one should not assume that the capacity is available overnight. It's not like switching the light on and off. As I explained on previous occasions, the capacity increase will be gradually available in function of the investments that will take place in two phases in the course of 2015 and then even thereafter, the rampup will be gradual and is customary for this type of process technology indeed. And that's also what you have seen after the investments that were made in 2014.

So you should -- so what you infer in terms of shutdown time is not necessarily correct; although I have to say that the shutdowns will be much longer than usual maintenance shutdown because of the amplitude of the investments and the work to be carried out as part of the expansion plan. So you should really assume that there will be a gradual rampup starting in the beginning of 2016, which will take a year or more to be completed, as I explained on previous occasions.

Energy is indeed a significant cost component -- or Recycling activities, and, yes, it is fair to say that, at current levels, if current levels continue to prevail, our energy bill will be somewhat lower in 2014 than it was -- sorry -- in 2015 than it was in 2014.

This being said, I would like also to put this in perspective in the sense that while what you say for gas price or fuel oil or coal is indeed what we see in the market, we don't see the same benefits percolating to the electricity price, which is set in certain countries like Belgium according to different mechanisms and with a significant cost component that is related to all kinds of peripheral costs like distribution, network, taxes, etc. and not really to the price of energy itself. So that will mitigate in a way the impact of lower energy prices overall.

In Catalysis, I'm not willing to go into more detail in terms of the size and expectations of the heavy-duty business. Suffice to say that it was not very material until now and with the rampup that has started to take place at the end of 2014 and which will continue to take place in 2015, it will reach a material contribution to the top line and the bottom line of the business group. Although I don't want to quantify that.



And last, lastly, your question about the proceeds, I'm afraid it's premature to say that. We have in the first instance to address the information process that's been initiated with the employees and their representatives. Once that is done, clearly and hopefully we can move as quickly as possible to that next phase. We will start to evaluate more concrete possibilities and in due course, we will determine what to do with the proceeds of the divestments if and when it takes place.

Mutlu Gundogan - ABN AMRO - Analyst

Okay, Marc, thank you very much.

Operator

Paul Walsh, Morgan Stanley.

Paul Walsh - Morgan Stanley - Analyst

Thanks very much. Good afternoon, everybody and thanks for taking my questions. Just three quick ones if I can. First on the hedges, my understanding is it's around two-thirds on the metals that you can hedge and one-third still exposed particularly to the Specialty Metals. My question is, year-on-year, given the prices you've hedged out and the euro rate that you hedged that against the dollar, on those hedging pieces that you've done, would you anticipate operating profit to be up or down on a comparable basis?

My second question, in the disposals that you've highlighted today, any guidance on the sales and EBIT that those businesses are generating? And the third question connected to that is what will you use the proceeds for? Would you embark upon further cash return or would you be looking to redeploy any proceeds in growing the business elsewhere? Thank you.

Filip Platteeuw - Umicore SA - CFO

I'll take the first one on the hedges and maybe start with putting the hedges into a perspective in the sense that you know that last year, 2014, we had a very low hedge book because of basically the evolution of metal prices. And indeed, we wanted to signal that this has changed beginning of this year because as you saw normally you have dollar evolution, dollar/euro compensating for metal prices. We've seen clearly in the beginning of this year that actually they have come together. So we took use of that increase in metal prices in euro to indeed hedge a sizable portion. And I would say if you look at the level of the prices in the course of January, and again, we're talking about the last few weeks, you will see that those prices are indeed above the prices that we've seen in 2014. And given the fact that in 2014 we had a low hedge book, you can indeed conclude from that that we should benefit from those hedges compared to last year.

The second element to add is that we typically only hedge when we are comfortable with the levels resulting in a profitability, which is attractive for the units. So indeed, we have made good use of the increase over the last weeks, I would say, to hedge this sizable proportion and that should benefit.

Paul Walsh - Morgan Stanley - Analyst

So can I just ask a quick add-on before the other two? Why in your outlook are you not guiding then towards Recycling adding to year-on-year EBIT as well in a meaningful way if the hedges are paving the way for that? Is there still uncertainty around the remaining third that's not hedged or is it because there are uncertainties around how much output there is going to be? Just curious.

Filip Platteeuw - Umicore SA - CFO

Because it's simply too early. It comes from what Marc has said about this being an important year for Recycling. It's simply too early in January to already indicate that. Part of the answer is what you have mentioned as well in your question in the sense that there's part of the metals obviously that we cannot hedge. So it's not like we are obviously fully hedged. We only can hedge part of those metals and it's too early to really extrapolate that in Recycling.

Marc Grynberg - Umicore SA - CEO



And Paul, if I can add to that, I would say that we typically provide quantified guidance for the first time at the end of April, at the time of the first-quarter update and this year should be no exception.

Paul Walsh - Morgan Stanley - Analyst

That's clear. Thank you.

Marc Grynberg - Umicore SA - CEO

Let me then move to your other question regarding the EBIT contribution of the business that we envisage to divest. And let me -- since we do not disclose details by business unit, let me help you by saying that the weight of these two business units in the revenue and capital employed of the business group is significantly larger than their relative EBIT contribution. So you could also say that their returns on capital employed are below the average of the business group. So it is not a meaningless EBIT contribution; far from that, but it's relatively smaller than their revenue contribution and portion of capital employed.

This being said, I would like also to emphasize that these are business units in which we have invested quite a reasonable amount of money in the last few years in order to modernize some of their facilities and also add also equipment for growth and new production lines for growth like the investment in France for surface-treated zinc or the new plant being built for zinc chemicals in China. And these businesses have improved substantially their profitability and competitive position through a combination of these investments and cost efficiency measures and are, therefore, now in a good position to move to the next stage that we envisage.

Now in terms of redeploying the proceeds, while it is premature to give a precise idea of how the proceeds could be used, I think it is indeed reasonable to expect that part of the purpose is to redeploy capital. Indeed the rationale behind the portfolio realignment as was the case in the past when we had other operations that changed the portfolio of activities of Umicore, the purpose is to hone the focus on a more limited number of strategic areas and you know that from a strategic point of view we see our growth mainly in Recycling, Battery Materials and Catalysis and clearly redeployment of capital on the higher growth, higher margin businesses is part of the way we want to manage the portfolio.

Paul Walsh - Morgan Stanley - Analyst

That's great, guys. Thank you very much.

Operator

Tony Jones, Redburn.

Tony Jones - Redburn Partners - Analyst

Good afternoon, everybody. I've got three questions. Firstly, could you tell us what the net sales and EBIT contribution was from acquisitions in 2014? Secondly, on associate income, it looks like that was about 8% of EBIT this year, so a big jump up on last year. Could you give us any guidance about what that might do in 2015 and whether that big jump was a one-off gain? Then on Recycling costs, you talked about the expansion to be gradual from 2016, but will presumably get added depreciation and other operating expenditure in that year, maybe even a little bit towards the end of 2015. How should we think about the impact of that on the EBIT margin? Thanks.

Filip Platteeuw - Umicore SA - CFO

On the acquisition side, Tony, so the two acquisitions in -- so basically just to clarify, we have the Palm Commodities acquisition that we realized end of 2013, which for the first time fully contributed in 2014 and then we have the acquisition of CP Chemicals that we've done in the course of 2014. Those two together in terms of contribution you should think of and I'll give you the EBIT guidance of a single digit number. So that's for those two.

Then we have the Todini acquisition, which in a way is the acquisition of the full control because it was a joint venture already in our portfolio since long. So the Todini acquisition we did end of 2014 and that will basically change in 2015 from today an equity consolidated joint venture to a fully consolidated joint venture. For the two



acquisitions for 2014, the impact EBIT, say a single-digit number. And I would say that they have contributed to the EBIT of Energy Materials, but clearly by far the largest increase in the profitability of Energy Materials came from I would say organic growth and profitability increase.

Marc Grynberg - Umicore SA - CEO

Regarding your second question, Tony, the increased contribution from associates in the EBIT was not a one-off. That otherwise would not have shown that as recurring EBIT in a way and the bulk of that improvement comes from the improved results that Element Six Abrasives and the improvement there was a combination of several factors like the effect of recent restructuring measures, cost-reduction measures on one side and the introduction of new products and gains in the marketshares on the other side. We had also a smaller improvement in the other non-consolidated joint ventures in Catalysis. Now to give you guidance for 2015 is too early. That's, and in particular we typically do not give separate specific guidance for the associates. Suffice to say, at this stage, that this was not a one-off.

And then as far as the Recycling costs are concerned, one of the objectives of the expansion is that it will, because it's a brownfield project that actually builds on a certain existing infrastructure and considering the way it will improve the efficiency of the operations, it's meant to reduce the unit operating costs of the recycling operations in Hoboken and thereby make it on one side more competitive and on the other side improve the margin. The exact timing of achievement of this reduction in unit costs is not disclosed, but it's fair to assume that most of that will become visible at the same time as we gradually ramp up the extra capacity. So it's not going to be a brutal change at one point in time; it will gradually percolate through the P&L.

Tony Jones - Redburn Partners - Analyst

Okay, thanks very much.

Operator

Junior Cuigniez, Petercam.

Junior Cuigniez - Petercam - Analyst

Yes, good afternoon. Thanks for taking my questions. Three questions from my side, if I may. The first is maybe small on the guidance. Does your guidance already factor in the disposals of the divisions? And in view of the disposals, do you mean improved profitability? That's not only on a relative basis, so i.e., higher profit margins and return on capital employed, but also absolute performance? That's the first one.

The second is on Vision 2015. Return on capital employed dropped to 12% from 13.6% last year. Are you still confident to reach it and also in view of the disposals, will the disposals reduce capital employed materially to lift the group return on capital employed to your target?

And then my last question is on Catalysis. In the last few quarters, you've lost some marketshare in Europe mainly driven by unfavorable mix. You always said that that was temporary of nature. Can you confirm that the pace at which you gave away marketshare is now slowing down thanks to the successful introduction of some Euro 6 compliant cars? Thanks.

Marc Grynberg - Umicore SA - CEO

Junior, let me start with the last question and dispel a misunderstanding. We're not losing marketshare; it's the mix that is changing. So that's one.

Secondly, on the guidance, no, the guidance does not assume or is not based on any disposals. So it's business as it is in its current configuration.

And I'm not sure I fully understood the second part of the question regarding the guidance.

Filip Platteeuw - Umicore SA - CFO

As I mentioned, of course, there is nothing that says that the disposal will be done in the course of 2015. So it's a little bit of a theoretical question and I don't want to link it to the 2015 guidance. In theory, if you have -- if you take into account what I mentioned earlier, that is that the returns on capital employed of the two business



units that we envisage to divest is lower than the average in Performance Materials and considering that they are fairly indeed capital employed intensive, yes, one may assume that post any divestment that the return of the group would increase.

Junior Cuigniez - Petercam - Analyst

And can you just also confirm that the improved profitability is not only on a relative basis, but also absolute performance?

Filip Platteeuw - Umicore SA - CFO

I'm not sure what you mean by relative basis. I do not -- what do you mean?

Junior Cuigniez - Petercam - Analyst

Okay, but I understand your question -- I understand your statement. Thanks.

Filip Platteeuw - Umicore SA - CFO

Okay, can you clarify that question because I do not understand the -- I do not get what you mean.

Junior Cuigniez - Petercam - Analyst

No, you could have improved profitability by increasing your margins, but if you do not already factor in the disposals then it's also an absolute performance improvement.

Filip Platteeuw - Umicore SA - CFO

Okay, good.

Junior Cuigniez - Petercam - Analyst

All right, thanks.

Operator

Rakesh Patel, Goldman Sachs.

Rakesh Patel - Goldman Sachs - Analyst

Hi there and good afternoon. A couple of questions if I can. First of all, maybe on NMC, whether you could give a bit more color on the pricing and the competitiveness that you're seeing here. Wonder if you could help us by saying how much of that rechargeable battery material is what you would term as commoditized versus higher end? And then secondly, in HDD, I wonder if you could give us your view on how you look at fitment of Euro 4 for buses and trucks. That would be great. Thanks very much.

Marc Grynberg - Umicore SA - CEO

Rakesh, you will have to help me. Your question was about Euro 4?



Rakesh Patel - Goldman Sachs - Analyst

Yes, in buses and trucks in China.

Marc Grynberg - Umicore SA - CEO

Okay, in China. And what was the question?

Rakesh Patel - Goldman Sachs - Analyst

How you see the fitment levels. So hence, how long will it take to get towards full fitment, if you like, from here?

Marc Grynberg - Umicore SA - CEO

Well, I'm afraid it's nearly impossible to answer that question because no one has visibility on that on the degree of fitment of Euro 4 systems in China because we know what our customers do. We don't know what we don't know. And it's a difficult market and the question has been raised also in the past in respect of passenger cars in China and the reality that nobody really knows. One can suspect that for passenger cars the fitment rate is relatively high. Although unlike in other countries it's not reaching 100% for some reason. For the emerging segment of trucks and buses, it is even more difficult to say. So I don't have a view on that and I'm not really well-positioned to speculate on that. And can you again repeat then your first question regarding NMCs because I missed part of it?

Rakesh Patel - Goldman Sachs - Analyst

Sure. I was wondering if you could tell us how much of the rechargeable battery material do you think is commoditized against that higher-end segment? I'm trying to understand if there's a lot more volume still left to be shared. It seems as though you're purposefully not trying to participate in that commoditized business where there is pricing pressure. Is that right or have I got that wrong?

Marc Grynberg - Umicore SA - CEO

I will have to dig out the figures for you because actually as far as Umicore is concerned the entire electronics business is high-end business. So for us, the mix has already completely migrated to higher energy density materials. As far as the overall market is concerned and not the Umicore picture, we would have to revert to you.

Rakesh Patel - Goldman Sachs - Analyst

Well, I'm trying to understand because, in the statement, you talk about aggressive pricing levels for some grades within NMC and their commoditization.

Marc Grynberg - Umicore SA - CEO

Yes, but that's for a portion of our business that has become minor because our portfolio has already migrated almost entirely to high-end portables.

Rakesh Patel - Goldman Sachs - Analyst

Right. So there is nothing left to be lost if you like from that area?

Marc Grynberg - Umicore SA - CEO

Nothing material.



Rakesh Patel - Goldman Sachs - Analyst

Okay, cool. Understood. Thanks very much.

Operator

Laurent Favre, Bank of America.

Laurent Favre - Bank of America Merrill Lynch - Analyst

Yes, good afternoon, Marc and Filip. The first question is on hedging and a bit of second-guessing I guess on our side, but if I look at the metals that you can hedge, so platinum, palladium, gold and silver, in euros, platinum and palladium are not now higher than they were in July or August of last year. So I'm just wondering is it a case of you having hedged gold and silver because indeed they've gone up so much in the past six weeks or do you have a certain view on PGMs for instance and the fact that you're now thinking that well maybe it wasn't that attractive in July and August, but for some reason that we're not aware of those prices are now attractive, so a bit of second-guessing.

Then the second question, probably easier to answer, on the portfolio review. Can you give us a bit of context on how you got to I guess the assets that you selected as noncore as opposed to, for instance, taking the whole performance division, say if I look at, I don't know, Element Six Abrasives or Technical Materials, can you tell us why those are now core or whether or not they may become noncore in the future? So a bit of context on that portfolio ratio would be very helpful. Thank you.

Marc Grynberg - Umicore SA - CEO

Okay. So let me start with the hedging. The prices are slightly better for platinum and palladium than they were last year. So in the course of January, again, in euro per kilo and not in US dollar per troy ounce, and as you know, we hedge as a function of our supply contracts. So there's been quite a bit of contracting activity taking place and so it's unique to have a conjunction of sourcing the materials and having the right prices to hedge the exposure. So I think it's the conjunction of these factors that explains that we decided to do that now. For gold and silver, clearly, the prices in Euro are better, materially better than they were in the course of last year. So overall, yes, the picture is better than in the course of last year and the contracts are there to be covered.

Laurent Favre - Bank of America Merrill Lynch - Analyst

Sorry, Marc. So in that case, we should assume a better mix in 2015 than in 2014. As in 2014, you complained about the lack of availability and higher competition from South Africa on PGMs.

Marc Grynberg - Umicore SA - CEO

No, you should not assume a better mix, as I mentioned in my introductory remarks. The mix, as we see today, is broadly in line with that, and the supply conditions, are broadly in line with those of 2014.

So then on your questions about the decisions to divest certain activities and possibly not others, for the zinc businesses, I think it's fair to say that, from a technology point of view, they are a bit more remote from the rest of the activities of Umicore, whether we talk about the precious metals-related activities, the Catalysis activities or the Energy Materials-related activities, which rely to a large extent on minor metals. Look, we have a fairly broad portfolio of activities and we have decided to, in first instance, to make all these activities viable and profitable in order to grow a certain number of them more aggressively. We cannot do everything at the same time and give all the activities the same, I would say, resources for growth. We have to be selective so that we can build a critical mass and it is fair for the zinc activities now that we have restored their competitive position and profitability to give them the best chances for growth. And this will have to be outside of the Umicore group because we want to focus our resources whether it's human or financial resources on the more limited number of growth options.

Why those? Because those are more remote from a technology point of view and from an application point of view from what we do in the rest of the group. Does that exclude or does that rule out other changes in portfolio? I would not say that because the portfolio of activities is something that we look at dynamically and we continually review that portfolio to make sure that we have the best chances of getting maximum value out of the activities. And if for one reason or the other we figure out that another configuration provides better chances to create value out of an activity, we have to consider that.



Laurent Favre - Bank of America Merrill Lynch - Analyst

So does it mean that you still want to restructure and I guess improve the performance of what could become noncore before it becomes noncore and you have the feeling that you've done what you have to do?

Marc Grynberg - Umicore SA - CEO

It is typically a good source of value creation to fix and improve profitability of the activities you own and you know how to run even if you, in the longer run, want to divest them. So again, it's a dynamic process and depends on market opportunities, market conditions. Depends on, I don't know, the evolution of the competitive landscape, which may motivate you to look at different configurations for your activities. It's really a dynamic process and actually we should never stand still with a portfolio of activities.

Laurent Favre - Bank of America Merrill Lynch - Analyst

Okay, thank you.

Operator

Wim Hoste, KBC Securities.

Wim Hoste - KBC Securities - Analyst

Yes, good afternoon. A couple of questions from my side. Maybe first on rechargeable battery materials. I read in the press release that you mentioned to have successfully qualified for new platforms. So could you maybe elaborate a little bit on your contract portfolio, like, for example, what kind of number of platforms are you know qualified on and how many of these still have to come on the market? And also elaborate a little bit on timing when these new platforms and new contracts will then reach the market? That's the first question.

The second one is on Catalysis. With regards to the US part of your light-duty vehicle Catalysis business, your mix was negatively impacted for a number of quarters now. Do you see some light at the end of the tunnel and is that coming from either new contract wins or is that coming from the fact that consumers start to buy more larger cars again given lower oil prices or lower petrol prices? Thank you.

Marc Grynberg - Umicore SA - CEO

Let me start with the second question. It is the latter. So our contract mix is not fundamentally different in the US or in North America than it was last year. The reality is indeed that we see the trends changing with more of the larger engines being -- or the cars with larger engines, the SUVs, etc., being sold and that is favorable to us indeed. So yes, it was a temporary effect and I believe looking at the usual patterns in the US that it is largely due to the evolution of gas prices.

The number of platforms on which we're qualified I would say is a high double-digit -- is a double-digit figure. A number of -- I mean in the past we've said 12, 15 platforms. A number of them have actually in the meantime hit the road, although albeit in small numbers. But it's still, I would say, in that region and we expect more sizable, I would say, quantities in terms of new platforms hitting the road to be there in the coming two years or so.

Wim Hoste - KBC Securities - Analyst

Okay, clear. Thank you.

Operator



Peter Olofsen, Kepler Chevreux.

Peter Olofsen - Kepler Chevreux - Analyst

Good afternoon. I had a question regarding R&D expenditure in Catalysis. In recent years, you have been investing in the ACD part of the business. With you now shipping to clients, could we potentially see a leveling off of R&D expenditure? Meaning potentially a lower absolute R&D expenditure in 2015 or will you have to continue to invest in R&D? And maybe looking forward, maybe out the next three to five years, where do you think R&D as a percentage of sales can go in Catalysis? I notice that it has dropped from more than 10% a couple of years ago to 9% in 2014. Will it stay at around 9% or is it going to drop further as sales in this business continues to grow?

Marc Grynberg - Umicore SA - CEO

Peter, you should expect R&D expenditures in Catalysis not to decrease. As long as regulations continue to develop, emission regulations I mean continue to develop and to get more stringent, there is a need not only to develop new products, but also an extensive testing is being required. So you should not expect R&D expenditures in Catalysis to decrease in absolute value in the coming years. You should only -- you may only expect them to decrease in absolute value at the time emission regulations in the world would start to stand still, to plateau, which is not in the fourth year, but future, I would say. In relative terms though, it is indeed reasonable to expect that they will form a smaller percentage of revenues as revenues ramp up in the course of this year and further with the emergence of our HDD business and some other applications coming up.

Peter Olofsen - Kepler Chevreux - Analyst

Thank you.

Operator

Simon Fickling, Exane.

Simon Fickling - Exane BNP Paribas - Analyst

Hi, good afternoon, everyone. Can I ask on Catalysis first, you noted headwinds in diesel. Can I ask about your long term and Marc, you've commented in the past you do believe it will remain an important part of the mix? Are you as confident as ever given recent quite negative news flows, thinking particularly of announcements by the mayor and also it being shown up in various studies for having quite negative connotations on the nitrous oxide side? That's the first question.

The second question on Energy Materials. You commented in the half-year of an expectation for further margin pressure in the second half. Was it slightly less than you anticipated in the second half and so is margin momentum going into 2015 slightly better than you thought six months ago? And then thirdly operating working capital improvement again this time? Can it improve much further? Thank you.

Marc Grynberg - Umicore SA - CEO

Simon, let me start with the easy one. That's the margin pressure in Energy Materials. No, it was not lower than expected or anticipated. This being said, we're quite happy with the volume growth that we saw in Energy Materials in the second part of the year. But unfortunately the margin pressure was there.

Now let me talk about diesel, and, yes, I've seen and we see the bashing, the diesel bashing that's taking place. And I think it is important to put things in the right perspective. The issue about diesel has little to do with the current diesel technologies. Unfortunately, people extrapolate from all the diesel cars, the 15-year-old cars still circulating and polluting in a very visible manner because they emit this black soot. And the reputation of diesel is indeed predicated on technology that is outdated, that is no longer equipping the models that are being sold, but technology which is still on the roads because of the lifetime of these diesel engines.

This being said -- so sorry, another myth is about NOx. It's exactly the same. Nitrogen oxides are being addressed by the new Euro 6 regulations and the need to have NOx abatement systems treated on diesel cars since the end of 2014, whether it's SCR-based NOx abatement or other lean NOx trap systems. So again, it is an



extrapolation from older technologies and in a way, it is a little bit regrettable that it took the regulators so long to address these emissions from diesel cars while the technology has been available for quite longer.

If you look at gasoline cars, there are also a few myths that should be addressed and the first one is that the new fuel-efficient gasoline engines are not as clean as they are being presented. And one of the issues with the fuel-efficient and CO₂-efficient gas engines is that they produce very fine and harmful particulate matters that will at one point in time also have to be addressed. These tend to be generally overlooked when comparing gasoline engines with diesel cars.

Remains that diesel engines have a significant CO₂ advantage over and above gasoline cars and if we are to meet the CO₂ regulations across regions and in Europe in particular by 2021, car makers will need to have a -- will need to sell a certain proportion of diesel cars in their mix, especially if they have large cars and large engines in their sales mix, they will need diesel cars in order to meet these new CO₂ limits.

I see nothing wrong with that because again with Euro 6 having entered into force, these diesel cars are as clean in terms of emissions as gasoline cars, if not cleaner than the new generation of fuel-efficient gas engines that I mentioned as long as those are not equipped with particulate filters.

Now this being said, from a strategic positioning point of view, you may recall that, from the Vision 2015 strategy presentation of Umicore, that the rationale that we pursue is that we want to be positioned and present in that clean mobility perspective regardless of the technical choices that are being made by our customers so regardless of the drivetrains. So whether it's a gas engine, a diesel engine, a hybrid configuration, an electric vehicle or a fuel-cell vehicle, we are present with the technologies that are required to make these vehicles work and to make these vehicles meet regulations. And we're also present at the end of the road to recycle those components.

So I would not dare to say that we're totally agnostic to the mix because, as one knows, diesel engines tend to provide a more attractive revenue and margin potential than their equivalent gasoline configurations. So we're not totally agnostic, but at the end of the day we are prepared to serve the market regardless of where the mix is going to be. And I continue to believe that diesel has its place and its role to play in the mix considering that the electrification is gradual, it's taking place gradually and will take quite a while to reach a level such that it would in itself be sufficient combined with gas engines to meet the emission NO_x, the CO₂ emission regulations. I hope that addresses your question, Simon.

Simon Fickling - Exane BNP Paribas - Analyst

Yes, that's great. The last one on working capital, is there scope for further improvement?

Filip Platteeuw - Umicore SA - CFO

Yes, so I'll take the one on working capital. It's early days, but I would not guide towards a further reduction in working capital in 2015. If you look at the last two years, we basically took out about EUR150 million. You know that working capital for us is this counterweight. You've seen it from the graph. Typically when metal prices go down, we get a compensating effect from working capital and then there's a mix obviously with growth, etc., but I would say given that we expect the growth outlook that we've put out for 2015, I would not guide towards a further reduction of working capital, so rather the contrary. Actually if you look at the end of December number on the balance sheet, you will already see a small increase in working capital. So indeed today again it's early days, but I would not guide towards a further reduction. Obviously, internally, we will try to keep things as optimal as possible.

Simon Fickling - Exane BNP Paribas - Analyst

Very clear. Thank you both.

Operator

Adam Collins, Liberum.

Adam Collins - Liberum Capital Limited - Analyst



Yes, hello. I've got three financial ones and one operational one. So starting on the financials, the question on the currency impact on the P&L. In the past, you've guided to a EUR0.01 change in euro dollar impacting EBIT by about EUR1 million. Is that affected in any way by the hedging that you've done in relation to currencies and metals that you explained earlier?

Second one is on the tax rate. In the past, you've guided to a mid-term rate of 25% as Belgium tax losses are extinguished. That hasn't been the case through this last year. So what's going on there? What are the offsets that are allowing that tax rate to remain pretty stable?

And the third one is on CapEx in the Recycling division. You talked about a EUR100 million investment for the expansion initiatives; yet, in the last year, divisional CapEx fell by EUR30 million year-over-year. I know there was a heightened level of CapEx previously. Can you help us understand what the CapEx component is for the expansion initiative going into 2015 and why there is that net reduction despite the fact there are those initiatives occurring?

Then the final one, which relates also to Recycling, is around the filling of the pipeline for 2016. I wondered if you could update us on the progress that's been made in signing up evergreen contracts to fill that extra capacity when it emerges.

Filip Platteeuw - Umicore SA - CFO

Okay, I'll start with the currency. So on the currency impact, there's different types of currency impact, as you know. We have the transactional exposure, which we typically hedge through these transactional hedges, so that shouldn't have an impact and we have the strategic currency impacts, which has partly a metal aspect and partly I'd say a nonmetal aspect. The reference you make towards the guidance we have being EUR1 million to EUR0.01 is the non-metal currency, structural currency exposure. And indeed to answer your question, part of the hedging has covered the euro dollar non-metal structure hedging exposure. So indeed, the EUR1 million to EUR0.01 is partly reduced through the hedging.

Adam Collins - Liberum Capital Limited - Analyst

Yes. Can you give us a sense of what it becomes? Just a rough sense?

Filip Platteeuw - Umicore SA - CFO

Sizable means sizable. Let's say about half when it comes to non-metal ForEx exposure. Let's say about half.

Adam Collins - Liberum Capital Limited - Analyst

Okay, thanks.

Filip Platteeuw - Umicore SA - CFO

That is basically covered at, as we've said, levels that we saw relatively recently. Now then there's a translational ForEx exposure. That's another aspect obviously where I think in the half-year we've guided towards a low double digit number in terms of impact on rebate. For the full year, I would say we're at single digits because we've seen in the second half of the year clearly some of those clear headwinds turning somewhat into (inaudible) or at least being compensated. So let's say a single digit for the full year, but still I mean significant enough to have an impact on the overall rebate. Is that okay for the ForEx?

Adam Collins - Liberum Capital Limited - Analyst

Yes, that's clear.

Filip Platteeuw - Umicore SA - CFO

Tax rate, you're right that we guided towards a gradual increase in the tax rate. That is still our guidance. It's been mostly (technical difficulty) than we had anticipated mostly because of the mix in, I would say, regional profitability and a number of other effects, let's call them tax technical effects. For 2015, I would say we should be



relatively close, maybe a bit higher, but not that much compared to what we had in 2014, which is close to 22%. And then again I would repeat the guidance for the years thereafter gradually increasing. We have a theoretical tax rate, which stays around the 30%, so let's say gradual increase first at the level of 25% over maybe two or three years. Next year, again, it is early days. We will be relatively close to the level of 2000.

Adam Collins - Liberum Capital Limited - Analyst

Yes, thanks.

Marc Grynberg - Umicore SA - CEO

And Adam, let me now address your last question, which was about the sourcing of --.

Filip Platteeuw - Umicore SA - CFO

There was a question on CapEx as well.

Filip Platteeuw - Umicore SA - CFO

the CapEx question. The CapEx question, Adam, we guided I think for 2014 -- the third quarter, we guided towards 220, 250, so we're at 200 basically. I think it's a bit of a timing effect again, but it means certainly that the percentage of, I would say, strategic project growth project has further increased and that's why for 2015 we have this coinciding effect from Hoboken on the new plans in Catalysis, which will again push it higher. So I wouldn't say there's a structural change happening. It's still very much strategic projects and maybe a bit lower indeed than what we guided for 2014, but a bit -- basically again back to the levels of 2013 we expect for 2015 for the current year.

Marc Grynberg - Umicore SA - CEO

And if I may add, the bulk of the EUR100 million CapEx program for the expansion of Hoboken is to be spent in 2015 as we explained at the time we launched the project. It's only a first phase of investment that was done in 2014. So that explains the different or the imbalance between what you see in 2014 and what to expect in 2015.

Sorry, I was a bit too quick to take over from Filip and address the other question and that gave me a little bit extra time to think about my answer. So the sourcing for Hoboken, looking at 2016 and the fact that extra capacity will gradually become available, the sourcing situation looks good. You may recall from earlier presentations that the capacity expansion was targeting extra materials coming from certain segments like industrial byproducts and complex byproducts from mining operations. These are clearly two areas where we see indeed increased availability and where we are starting to source more materials with indeed the extra capacity in the (inaudible). And that is why we have also been in a position to start hedging some of the metal components of these contracts into 2016. So the supply situation looking at the capacity expansion looks positive.

This being said, I would like to remind you once again that we will not need 0.5 million tonnes in 2016 because the capacity will gradually come onstream after the investment phase and the full benefit of that will only be visible in 2017.

Adam Collins - Liberum Capital Limited - Analyst

That's clear, thank you.

Operator

Dennis Lepadatu, Kempen.

Denis Lepadatu - Kempen & Co. - Analyst



Good afternoon. I have three pending questions left. First of all, coming back to the capacity expansion for recycling, I was wondering if you would be prepared to give some guidance on the incremental return on capital for this investment provided precious metal prices stay where they are.

Secondly, on the Vision 2015, is there any chance to get an update on that? Is it still feasible to expect growth in excess of 10% on average for the medium term for the three growth areas identified and what would be the roadmap to reach the 15% return on capital employed?

Last, on the balance sheet, is there a reason to keep the balance sheet so lean, especially considering the group's cost of debt and should we expect some further buybacks in 2015?

Marc Grynberg - Umicore SA - CEO

Okay, I will let Filip answer the question about the balance sheet and let me start with the capacity expansion in Hoboken. You may recall from previous discussions that we said that the project would be value creating, which means that the return from that investment would be well above the cost of capital. This being said, it is not going to be at the same level as the average royalties that we have typically seen in Hoboken, but still value creating by a distance.

Now moving to your second question about Vision 2015, yes, the growth rates in the three areas where we invest massively are very significant in Recycling, in Automotive Catalyst and in Battery Materials. Of course, in Recycling, it's sometimes difficult to see the underlying growth because it may be masked by the metal price movements when it comes to the revenue evolution. And in Catalysis, we've had a few setbacks that we have discussed in terms of mix in recent quarters that have also not allowed us to show the full potential in terms of growth. As I mentioned earlier, that is changing and will be changing in 2015.

The roadmap to the 15% return on capital employed that we want to reach, again, because it's not, I would say, an illusion, it's the return that we have been able to reach on several occasions during the cycle. The roadmap is clear. It is driven by growth. We have done quite a fair amount of investment that have weighed on the returns in the past three years in combination, of course, with somewhat less favorable macro factors. Now these investments are, to a large extent, or for many of them, ready to start contributing to the top and the bottom line and that will be the main source of improvement in returns on capital employed on the road to 15%.

The other part of the equation is that we will continue to manage our costs very carefully with a view of productivity and efficiency improvements. So that will remain part of the picture. But as I mentioned, the bulk of the improvement has to come from the expansion that we have been preparing for a while. With this said, I will hand over to Filip to comment on the balance sheet.

Filip Platteeuw - Umicore SA - CFO

So on the balance sheet, you're absolutely right; it is a lean balance sheet. I would say the reason why we keep it as it is is that clearly we still are looking at opportunities to use that financial flexibility. You've seen that we've done a number of smaller acquisitions for our units. So clearly the balance sheet that we have allows us to look at future growth prospects from an operational or I would say organic point of view. Clearly, we have substantial operating cash flows to fund organic growth, but the balance sheet gives us the option to look at further growth.

I would say the balance to that, the flipside to that is obviously that we are committed to this cash return to shareholders and balance that with the operating growth expenditures and as you've seen, we've again in 2014 had about EUR190 billion of cash returned, which if you relate it to the operating cash flow is quite substantial. So indeed it's not just about clinging onto a balance sheet; it's about having the opportunity to look at further expansion and at the same time making sure that we return the appropriate cash return to shareholders linking it to your question on share buybacks. Indeed we have 3.5% today and we can go up to the 10%. So we have this mandate, we have the flexibility to do that indeed.

Denis Lepadatu - Kempen & Co. - Analyst

Okay. Thank you. But is there any intention to do so this year or it remains to be determined in terms of buybacks I mean?

Filip Platteeuw - Umicore SA - CFO

Again we have the commitment towards cash return to shareholders. You've seen it over the last few years so that will not change and so we have the mandate, so yes.



Denis Lepadatu - Kempen & Co. - Analyst

Okay, great. Very clear. Thank you.

Operator

Joe Dewhurst, UBS.

Joe Dewhurst - UBS - Analyst

Hello, just two quick questions. Just on the LCO market, you indicated that there's been a bit of some stepup in competition there. Just again how that's looking and if it's become a lot more competitive in the last few months or if you continue to maintain a very strong position there. Then just on the corporate costs essentially with the carveout of the sale of the businesses, would you expect to see corporate costs go down in a similar proportion to the capital employed that you move out? Thank you.

Marc Grynberg - Umicore SA - CEO

Let me start, Joe, with the question regarding LCO. I'm not sure having mentioned in the past increased competition, increased competitive pressure there. We have maybe mentioned that for lower grade materials of NMCs, a segment that we have almost entirely exited by now, as I commented on earlier. No, in LCO, our position remains extremely strong for the high energy density materials and for the high-end applications. So that's no change and that's driving quite a bit of growth of the business units.

In terms of the cost reduction or the corporate costs, I think it's too early to comment. I think we need to figure out how we move ahead with the business units that we have now earmarked for a different configuration and we'll see obviously. If we are to sell these units, we'll have to make sure that they have the right level of support services to be salable first and secondly, if residual costs are to be addressed, we will do that in due course.

Joe Dewhurst - UBS - Analyst

Thank you.

Operator

Oliver Reiff, Deutsche Bank.

Oliver Reiff - Deutsche Bank - Analyst

Thanks, just one question, if I may, on Recycling. Could you please remind us of when the planned downtime will happen this year, during which months? And also, sorry, one more, just in terms of -- if you could give an indication in terms of days or period of time on the normal shutdown time versus what you're expecting for this year? Thanks very much.

Marc Grynberg - Umicore SA - CEO

Oliver, the only thing I'm willing to disclose that we have one shutdown in the first part of the year and one shutdown in the second half and both will be fairly extensive in terms of duration compared to regular maintenance shutdowns. And that's the only thing I would like to say at this stage.

Oliver Reiff - Deutsche Bank - Analyst

Okay, thanks very much.



Operator

Asad Abedi, Millennium.

Asad Abedi - Millennium Capital Partners - Analyst

Hi there. I just like to put two questions. I'd like to confirm, are metals prices in euros for the majority of the basket, are they up right now versus the average of last year? And is that assumed in your guidance?

Marc Grynberg - Umicore SA - CEO

Sorry, Asad. Can you repeat that question?

Asad Abedi - Millennium Capital Partners - Analyst

Our metals prices in euros up right now versus the average of last year?

Marc Grynberg - Umicore SA - CEO

Yes.

Asad Abedi - Millennium Capital Partners - Analyst

And when you grow your Recycling business over the next couple of years, could you talk about the working capital implications of that?

Marc Grynberg - Umicore SA - CEO

You know that in Recycling we have a business model which is low on working capital that's an intrinsic characteristic of the business. The increasing capacity should not fundamentally change that.

Asad Abedi - Millennium Capital Partners - Analyst

Thank you.

Operator

There are no further questions, so I would like to turn the call back to Mr. Grynberg.

Marc Grynberg - Umicore SA - CEO

Thank you, Lydia and at this stage, I would like to thank you for attending the conference call and I would like to offer to answer additional questions as we meet in the coming days and in the meantime, of course, our Investor Relations team will be available to help you with your models. So I look forward to seeing most of you in the next few days and discuss some of the themes and key messages that we have outlined today in more depth. And in the meantime, I would like to wish everyone a very nice weekend. Thank you and bye-bye.

Operator



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

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