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PRESENTATION

Operator

Good day and welcome to the Umicore full-year 2015 conference call. Today's conference is being recorded. At this time I would like to turn the call over to 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 full-year 2015.

I will talk about the overall business evolution as well as the perspectives for the coming year, and then I will hand over to Philip who will cover the financial aspects. I will then hand the call over to you for questions.

If we look first at the highlights of 2015 we can see that revenues and earnings were both well up year on year. The 11% 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.

Earnings have showed an even stronger improvement with recurring EBIT up by 21%. This has been driven mainly by the volume growth that I just mentioned and it is clear now that the growth investments of the past few years are contributing very well to the bottom line.

These positive aspects have more than offset the negative effects of lower metal prices that experience the significant drop in the second half of the year in particular.

On the investment front suffice to say that our major growth projects are either well on track or even for some of them ahead of schedule, and I will comment more on these as we go through the presentation.

The final highlight, and this is something which underlines the long-term confidence in our strategy and prospect, is the dividend increase of 20% to EUR1.20 which was approved by the Board of Directors yesterday and which will be submitted to the vote of the shareholders at the end of April.

Looking forward to 2016, you will appreciate that there is a high degree of uncertainty above macro factors, not the least considering the metal price volatility. And it is too early to be making quantitative judgments on where we see earnings for the full year.

Having said that, we do have a certain visibility on volume developments across segments and in particular, for our major growth engines in clean mobility and recycling where we continue to see and gain traction.

In catalysis, we expect to see a continuation of both strong demand levels and a supportive mix for light-duty applications. We are also anticipating further growth in sales of catalysts for heavy-duty applications in Europe and in China.

In energy & surface technologies, demand for cathode materials should continue to increase, particularly as the result of accelerating demand from the automotive sector. In recycling, supply conditions remain supportive and the additional capacity that is coming on-stream in Hoboken will enable us to process more volumes than in 2015.

So overall, we are expecting strong volume growth in these segments in 2016 that actually confirms the quality of our positioning as well as our ability to capture a good share of the growth in clean mobility applications and in recycling.

From a profitability perspective, it is too early to assess the impact that metal prices could have on our margins compared to last year. I did mention last July that the metal price headwinds, net of currency effect, that we would face in 2016 would be in the order of EUR20 million at the then prevailing metal prices.

Today metal prices are lower than at the end of July and lower than the average of last year, which points to a larger impact. However, given that we are only in the first week of February and given that the volatility is high and the visibility on the demand for specialty metals is extremely low, I prefer to get at least one-quarter of business under the belt before providing any quantified earnings guidance.

If we turn now to the business review and start with catalysis, this was the business where we saw the most spectacular improvement in performance with revenues up by 19% and recurring EBIT up by 50%. Overall this was driven by a positive volume and mix evolution and the ramp up of our heavy-duty diesel business. If we look first at the light-duty business, revenues grew faster than car production levels globally as well as in all regional markets.

In Europe, the growth was supported by the recovering demand and was amplified by the introduction of Euro 6b compliant platforms which also had a positive impact on the mix with a greater proportion of diesel catalysts in our sales.

In China, revenues increased quite considerably, partly due to our platform mix, which is influenced by a strong presence with international car producers. Demand in China dipped somewhat in the third quarter, as you will recall from the October update, but that effect was short-lived and demand recovered sharply thereafter in part supported by a sales tax cuts for vehicles with smaller engine size.

As for in Asia, we also did very well and we continue to gain traction with Japanese OEMs globally. In North America, we saw a positive volume and mix effect while in South America we are even able to post a slight volume increase in the context of sharply decreasing vehicle sales.

On the heavy-duty side of the business, the production facilities in both Europe and China are now contributing meaningfully to the overall performance. The precious metals chemistry business unit also showed good revenue and earnings growth due to higher demand for precursors used in automotive catalysts and growth in other product categories such as active pharmaceutical ingredients.

That is briefly at the investments that we have underway in the automotive catalysts. As we told you several months ago, we accelerated the commissioning of the new production facility in Poland in order to cope with surging demand. And this was completed ahead of schedule last year.

The construction of the new technology development center in Korea has also been completed in the meanwhile and the plant in Thailand remains on schedule to be operational in the third quarter of 2016.

Let's now look at the evolution in energy & surface technologies. Revenues were up by 20% and recurring EBIT by 30%. 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.

In this segment we did not see the typical surge in orders ahead of the holiday season. And there are some signs that the massive growth that the segment has experienced in recent years is slowing somewhat.

On the automotive front, the demand for our NMC materials continue to increase as the number of electrified models in production increases. This has been a particular trend in China where sales of electric vehicles are being supported by government subsidies in order to fight the massive air pollution problem.

The strong performance in rechargeable battery materials was hampered by the legal costs that we are incurring to defend our position in the ITC case in the US.

The other business units in the segment 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 product's activities. These businesses have faced significant market challenges in recent years and it is therefore highly satisfying to see these positive developments. They can be attributed to cost reductions and a good production -- and a good progression, sorry, of sales, building on a highly distinctive product and service offering.

You can see the investment picture in energy & surface technologies on the following slide. The new plan for the production and recycling of ITO targets in China should be commissioned in the coming month.

As you would expect, the most significant investments of this segment are happening in rechargeable battery materials. We completed recently an expansion phase in Korea in the second half of last year and there is an expansion in Jiangmen in China that will come on-stream later this year.

The demand levels are currently growing fast and further expansion projects will be initiated this year to keep pace with our customers' requirements. And we will obviously keep you informed of developments on this front.

In recycling, revenues and earnings were down 2% and 5% respectively. In precious metals refining, the revenues were stable and an improved supply mix both for industrial byproducts and end-of-life materials, helps offset the impact of the lower metal prices on revenues.

The 40% capacity expansion in Hoboken progressed well. We successfully completed the two major investment ways and the throughput rates were well up in the fourth quarter of last year as a result which enabled us to make up for the lost volumes caused by the two extended shutdowns, and process volumes for the full year were in line with those of the previous year.

Additional investments in certain auxiliary equipments are planned for 2016 and are expected to be carried out without any prolonged stoppages of the operations. As I mentioned earlier, the metal price environment deteriorated sharply in the second half, and this was particularly the case for specialty metals. With regards to precious metals, we were able to mitigate some of the negative effects of lower prices by having secured a portion of the pricing in previous periods.

Overall, the metal price headwinds were responsible for the lower revenues and reduction in margins for the recycling operations, not only in precious metals refining but also in jewelry and industrial metals. Revenues in the other business units were also lower.

I have already commented on the progress of the Hoboken investments. In jewelry and industrial metals, the investment in the silver recycling capacity in Thailand is now fully operational.

Finally, looking at the activities that we intend to divest. The business evolution was one of contrast. Zinc chemicals recorded a strong increase in revenues and earnings. This was driven by higher volumes in the various product categories as well as improved conditions in the recycling activities. The building products business units recorded lower sales volumes as a result of the continued weakness in the European construction markets, particularly in France, and premiums also remained under pressure.

These negative impacts in building products were partially offset by cost reductions and productivity improvements.

We completed the carve-out of both zinc activities in the last quarter of 2015 and, as we mentioned previously, the divestment process will likely by a two-step approach with the current focus being on the divestment of zinc chemicals.

In terms of investments, we are continuing to invest in both units. Most notably we completed in the third quarter or last year the construction of a state-of-the-art plant in China to produce zinc powders to a large extent out of recycled zinc. The plant is ramping up fast and a capacity expansion is already in the pipeline.

The total number of people employed by Umicore remains largely stable during the period with some increases in the catalysis and energy & surface technology businesses where new facilities or capacities have recently come on-stream. The number of people employed in the associate companies was reduced by more than 10% as a result of the restructuring measures in Element Six Abrasives.

On the safety front, developments were less satisfactory with a higher number of accidents year on year and safety will remain very much one of our key focus area in the coming years.

With that, I would like to hand over to Filip who will cover the financial aspects.

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

Thank you, Marc, and good morning everyone.

Now, before we review the financials, I would like to start by clarifying a few accounting-specific elements. As already discussed at the time of our half-year 2015 result release, we report our two zinc units as discontinued operations in accordance with IFRS 5. As a result, our full year consolidated financial statements show the zinc units grouped as a single line item on the P&L, the balance sheet and the cash flow table. Kindly refer to the extended notes to our 2015 half year's financial statements for more details on the exchange, and in particular to note 10.

For the avoidance of doubts, the key Group figures presented on the first pages of today's press release still include the zinc units and this is for ease of reference.

Also in accordance with IFRS 5, we stopped recognizing depreciation charges for those discontinued operations as from July 1, 2015, corresponding to an effect of EUR8.9 million for the second semester of 2015.

Moving now to the financials. Marc already commented on the main earnings drivers and I would particularly highlight the leverage effect created by strong demand and the ramp up of new installations on our operational efficiency and profitability, particularly in catalysis and energy & surface technologies.

This in combination with the appreciation of certain currencies versus the euro acting as a secondary driver more than offset the impact of low metal prices for the Group. Both our recurring Group earnings as well as our cash flows outpaced the double-digit top line growth rate.

Our recurring tax charge increase in line with the underlying profitability, resulting in a stable effective recurring rate of 21.4%. Lower net recurring financial charges and the absence of depreciation charges for discontinued operations in the second semester contributed to a 27% rise in recurring net profit.

Our return in capital employed increased from 12.2% in 2014 to 13.7%, driven by higher returns in catalysis and in energy & surface technologies, recycling generated return on capital employed above 30% despite the significant expansion investments.

Our businesses continue to generate strong cash flows that funds our growth investments. Operating cash flow before changes in working capital increased more than 20% year on year. Our business expansion resulted in higher working capital needs for the Group, despite a release of working capital within the discontinued operations. Net working capital for the full Group increased EUR43 million on a full-year basis. And this compares to EUR78 million increase over the first six months, the difference reflecting amongst other things the influence of lower metal prices.

Capital expenditures were at EUR240 million for the full year. As you would expect, the bulk of the investments were focused on the expansions in the automotive catalysts and rechargeable battery materials business units as well as a 40% capacity increase in Hoboken. Within discontinued operations, the main project was the construction of the new zinc chemicals plant in China.

R&D expenditures was pretty stable at EUR145 million or some 5.5% of revenues with an increase in automotive catalysts offsetting a reduction in recycling as some of the development work for the Hoboken expansion became operational.

If we look now at the cash returns to shareholders, the main element to note is obviously the proposal for a 20% increase in the full-year dividend that we announced this morning. It follows a number of years of stable dividend and is in line with our policy of a stable or gradually increasing dividend. It reflects the significant increase in our recurring earnings in 2015 and signals our confidence in the long-term prospect of Umicore.

Also in the course of 2015, we continue to buy back own shares, purchasing close to 1 million shares. Overall then, our cash returns to shareholders in 2015 amounted to one-third of the cash flow generated from operations.

The waterfall chart on the next slide shows a close to stable net financial debts moving from EUR289 million (sic-see slide 21, "EUR298 million") at the end of 2014 to EUR321 million at the end of last year. And again it reflects on the one hand that our operating cash flow comfortably funded our significant growth investments, and secondly that our full free cash flow after tax was distributed back to our shareholders.

Our capital structure remains very healthy as reflected by our leverage ratios. Our average weighted net interest rate equally was stable at about 1.5%.

Finally, non-recurring items had a negative impact of EUR57 million (sic - see slide 23, "EUR75 million") on EBIT, and EUR63 million on net result. This compares to negative EBIT impact of EUR30 million, as reported end of June 2015.

Most of this second semester increase stems from the impact of low market prices with impairments of permanently tied up metal inventories amounting to EUR26 million for the full year. Next to this, over the full year we also recognized EUR23 million of restructuring charges, covering cost reduction measures and footprint adjustments in a number of units, such as, for example, in technical materials.

We also booked EUR11 million of environmental provisions for remediating historical pollution. The largest single item within the other category relates to the impairment of the book value of our holding in Nyrstar, bringing it to the share price of December 31st. And in total, only about one-third of the EUR75 million non-recurring EBIT is cash in nature, of which a significant portion is linked to future cash-outs.

With that, I hand back to you.

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

Thank you Filip. Before turning to questions, I would like to wrap up the key messages from today's results presentation.

We have a strong set of results for 2015, showing or actually confirming a significant performance improvement compared to the levels of the previous year. It was particularly rewarding to see our recent growth investments starting to have a meaningful contribution both to the top line and the bottom line.

Overall, the volume growth did more than offset the impact on results of lower metal prices. In terms of growth investments, all of our projects are moving ahead as planned or even ahead of schedule. The expansion work done at the Hoboken facility was the particular highlight of 2015, and we have a full pipeline of capacity increases in rechargeable battery materials and automotive catalysts.

We actually see great traction in our three major growth initiatives, which validates our strategic direction and gives us the comfort that we have the kind of quality of positioning that we need to have to be successful with the strategy.

Finally, in terms of outlook, we are confident that we will see strong volume growth in the main three strategic areas in 2015 -- sorry, 2016, but some of the macro factors are too volatile today to determine to what extent the benefits of this growth might be offset by lower metal prices.

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

QUESTION AND ANSWER

Operator

(Operator Instructions) Tony Jones, Redburn Partners.

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

I've got three questions. I appreciate it's difficult early in the year making a call on pricing, but maybe you can help from a qualitative point of view. So for recycling if you take into account the volume expansion, hedging and where spot metal prices are, do you think EBIT in recycling will be flat or down?

My second question is on capacity expansion. In automotive catalysts and battery materials, you've got new assets coming on. How should we think about cost absorption?

And then related to that also in Hoboken, because the volume growth, as far as I understand, it's around 15% of the total 40%. What will be the implication for startup costs this year? Thank you.

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

Hi, Tony. First of all regarding the recycling EBIT, I can only say that it's too early to provide a quantified guidance. I mentioned during the call the volatility of metal prices. What is also a relevant factor in the case of the recycling segment is that there is relatively low visibility in the space of specialty metals where the demand levels are a bit uncertain at this point in time.

So for those metals that are not traded on an exchange, you have an added factor of physical demand uncertainty. So clearly too early to provide any quantified guidance at this stage. And, as usual, I will do that at the end of April when we publish our quarter one update and when we will have at least a quarter of actual results behind us on which to base first judgment.

Then turning to your question about the capacity expansions, we will have the cost absorption related to that. The cost absorption will continue to improve, so we'll continue to benefit from some leverage effects, some scale effect that we have started to create with the investment we have over the last few years. So I expect that the -- I would say the effect to be on the positive side. And also on the recycling side, please bear in mind that part of the investment rationale besides the capacity expansion was also to improve the costs or the processing cost per unit. So that will work in our favor.

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

Thanks, Marc. Can I just ask a small follow-up, just on your first one, so the visibility on the specialty metals. The demand uncertain, if there was low demand what does that mean for mix? Is that a good thing or a bad thing?

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

I'm not sure I got the question, Tony.

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

Yes, sorry. I think when you were talking about recycling and you mentioned I think that visibility was low on demand for some of the specialty metals, the ones you can't hedge. If demand was reduced, let's say, in 2016 compared to last year, is that a good thing for average price margins mix, that kind of thing or is it neutral?

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

No, it would not be good. It would not have an influence on the supply mix itself, which is -- which looks very good for 2016. It would have an impact on the margins.

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

Okay, I understand. Thanks very much, Marc.

Operator

Mutlu Gundogan, ABN AMRO.

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

A couple of questions. Let me first start with the outlook. I understand that the visibility of recycling is limited. But can you talk about the other segments? Do you still expect double-digit earnings growth for this -- for the two segments?

And then sticking with the outlook. You talk about growth in clean mobility and recycling, so I assume you refer to that, to recycling of rechargeable battery materials. We know that you have the pilot plan still on the side. Do you expect a significant ramp up of volumes there?

The third question is on NMC specifically. What is the outlook for electric vehicles and in particular for electric buses in China, because I've read that there's some talk that subsidies will be down in the coming years?

The fourth question is also on rechargeable battery materials. It seems that electrical vehicles is overtaking imports for electronics in your mix. Can you talk about the relative possibility of those two segments or end markets?

And then my final question -- and apologies for the long list -- the ITC litigation that you referred to, I remember that at previous moments you stated that the case had no merit of BASF. Is that still your view? Thank you.

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

Hi Mutlu, this is a long list of questions, so --

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

I know, apologies.

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

You're probably covering a lot of ground for your colleagues on the line, so let me start with your question about the growth, the revenue growth and the volume growth that we alluded to during the presentation.

If you look at our main growth initiatives in automotive catalysts, in rechargeable battery materials and in recycling, yes, we expect strong volume growth, and that is indeed to be understood as double-digit growth in those three businesses.

I would not extrapolate that for the entire Company. You may have different situations in some other business units. Suffice to say that in these major growth areas, which constitute by the way a significant portion of our revenue anyways, we expect indeed that kind of growth performance. And --

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

Can I just interrupt you for a second. Are you referring to double-digit volume growth or earnings growth?

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

Well, at this point in time I am talking about volume growth.

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

Okay.

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

And to clarify, when I talk about clean mobility and recycling, I refer again to the theme that we brought forward at our Capital Markets Day when we described our Horizon 2020 strategy. We talk about -- the clean mobility it is about commodity catalysts, battery materials and fuel cell related materials. And recycling is the overall recycling capabilities. It is not the recycling of clean mobility related stuff. So it's broader than that.

Now, let me move to your third question which was relating to the use of NMC in China and talks about subsidy or possible subsidy cuts for NMCs or for e-buses that would use NMCs. I mean indeed we have heard and we follow that discussion very closely. And we believe that the discussion is far from over for a number of reasons.

One is that the bus and a battery makers themselves in China are not supportive of the possible move by the government to subsidize LFP only and not NMC for the simple reason that NMC has characteristics that fits better some of the technical requirements of these applications. And in particular when it comes to the driving range and the LFP has a number of merits but cannot meet the driving range requirements of some of these platforms.

And besides the, I would say the objections that have been raised by Korean battery manufacturers, by the Korean government and by other players, we see now Chinese actually companies and very large of the Chinese companies actually complaining about the government's possible decision on subsidies.

That's one aspect. Second aspect is that to put things in the right context, we believe that the arguments that have been raised in the discussion are unfounded for the simple reason that the only safety incident that has taken place in China has been with LFP buses during recharging. So on the safety front, NMC buses have a much better track record than their LFP brothers in China. So we believe that there are -- there is hidden agenda and that in the end other, I would say, considerations will prevail.

And finally, the other reason why some of the bus and battery makers in China are complaining about that possible direction is because the LFP systems are not very cost-competitive compared to some of the newer generation NMC technologies. So believe that the discussion is far from over. And in any case because of the specifications in terms of range, quite a number of buses will continue to be built using NMC systems.

Your next question was regarding the margins in the battery materials space taking into account that EV demand was overtaking portable volumes. I wouldn't want to go into details of commenting the various margins. We prefer to keep that, I would say, discrete given the commercial and competitive sensitivity about that aspect.

And finally regarding the ITC case and still remaining in the same business of rechargeable battery materials, yes, we maintain or view that the case has no merits, is unfounded and -- because science is clearly and in an unambiguous manner on our side and we believe that there is nothing else than commercial tactics behind the allegations of BASF.

And as a matter of fact, when I say that science is on our side, maybe I should clarify that the -- what the science says is that the presence of nickel, manganese and cobalt, which is what NMC is all about in our materials, actually precludes the formation of the patented material. And so indeed we confirmed our -- the position that I expressed earlier in the process.

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

Okay. Thank you very much, Marc.

Operator

Peter Olofsen, Kepler Cheuvreux.

Peter Olofsen *- Kepler Cheuvreux - Analyst*

Maybe first a question to clarify something you said, Marc, in the introduction on HDD now providing a meaningful contribution. When you say a meaningful contribution, are you referring to the sales or are you referring to the bottom line of catalysis?

Marc Grynberg *- Umicore NV - CEO*

Hi, Peter. I am referring to both. And clearly there is meaningful contribution on both lines because clearly in a ramp -- I mean, when we made the investments in the past, in recent years, we first saw the costs. So with the revenues ramping up, you start to have a decent cost absorption. So next to the revenue effect, you also have a meaningful bottom line effect. Yeah, it's both.

Peter Olofsen *- Kepler Cheuvreux - Analyst*

Okay. And then going back on the battery materials, the growth that you have seen last year on the portable electronic side, could you break that down between growth in the number of devices and the increase in cathode content per device also in light of the slowing mobile device market.

Marc Grynberg *- Umicore NV - CEO*

No, that's a very difficult one, Peter. And I think our customers would be in a better position -- our battery and OEM customers would be in a better position to answer that question because we do not have the full visibility of how the materials are being utilized in their battery systems. That's part of their proprietary technologies in terms of designing the sales and the battery packs. So that's a real difficult one to make out.

This being said, I would say intuitively that there is a continued trend for more energy, more energy density that is driven by all the additional features and connectivity, et cetera, and large screens that are coming on the market, and that is in a way counterbalanced by the flattening trends in terms of devices being produced. But I cannot say much more than that again because that's difficult for us to quantify.

Peter Olofsen *- Kepler Cheuvreux - Analyst*

Okay. That is clear. But at this moment, the portable electronics is still a bigger part of the business relative to the automotive parts, that's right?

Marc Grynberg *- Umicore NV - CEO*

Suffice to say that automotive is growing very fast.

Peter Olofsen *- Kepler Cheuvreux - Analyst*

And when do you think automotive will overtake the electronics part.

Marc Grynberg *- Umicore NV - CEO*

It is happening as we speak.

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

So already in 2016 automotive will be bigger?

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

Yes.

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

Okay. Thank you.

Operator

Stephanie Bothwell, Bank of America Merrill Lynch.

Stephanie Bothwell - ***Bank of America Merrill Lynch - Analyst***

Thanks for taking my questions. I am actually very focused on recycling. So firstly in metals, one of your peers in Europe in recycling recently warned on lower metal yields. I wonder if perhaps you could give us a sense on how to get on metal yield trended during the fourth quarter of 2015?

And my second question on recycling was if I look at the second half EBIT, it declined around EUR12 million in recycling half on half. Given that you had hedged a large portion of your precious metal exposure, the moving parts that would seemingly be around volumes and pricing on the specialty side.

So are you able to tell us just in percentage terms perhaps how volumes actually trended half on half H2 in 2015 taking into account the maintenance shutdowns and the ramp up in throughput in the fourth quarter?

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

Without going into quantify the details, let me say that indeed you're right, two effects are the specialty metal prices effect in the second half of last year, so those metals that cannot be hedged indeed. And secondly, the extended shutdown that took place, I mean took place actually in the second half of the year. But the most significant effect is the specialty metal prices effect.

Now, I'm sorry, I did not get you first question. Could you repeat it?

Stephanie Bothwell - ***Bank of America Merrill Lynch - Analyst***

Yes, sure. A week or so ago, one of your recycling peers in Europe profit warns, and actually part of that profit warning was on lower metal yields in the fourth quarter of 2015. So I wonder perhaps if you could give us a sense and just in terms of how yield had trended during the fourth quarter and then what they're doing today.

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

Our yields are constant. They are the highest level that you will find in the industry. So that's not been a factor in our case. And as I mentioned earlier, the main reason behind the difference in results between the two halves of the year is the price of the specialty metals, but nothing relating to yields.

Stephanie Bothwell - ***Bank of America Merrill Lynch - Analyst***

Okay. And perhaps just one follow up on the hedging size. So for 2016, can you confirm if you've actually conduct any additional hedging since the Q3 stage?

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

No, we have not.

Stephanie Bothwell - ***Bank of America Merrill Lynch - Analyst***

Okay, that's great. Thanks for your time.

Operator

Wim Hoste, KBC Securities.

Wim Hoste - ***KBC Securities - Analyst***

A couple of questions from my side. Maybe first on the maintenance schedule in 2016, it was in the press release that for the auxiliary investments it will be not -- no prolonged maintenance shutdown, but I assume there will be kind of normal maintenance shutdown during the year. Can you confirm that? And also whether it will be in the first half or the second half? That's the first question.

Then secondly, with regards to the newly agreed regulations for catalysis with regards to you driving emissions and the recent European Parliament vote, can you maybe shed a light on your take on that regulation and how it will drive your catalysis business in the coming years?

Following on to that, on catalysis, the press release stated that the mix will be supportive going forward. Can you maybe explain what you mean with that? Will that be the balance between diesel and gasoline cars that will remain supportive, will it be increasing number of recent gasoline contracts that you won and started already to contribute in 2016? What is really driving that positive comment on mix for 2016 in light-duty vehicle catalyst? Thanks.

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

Okay, thank you, Wim. So first I can confirm that the regular maintenance shutdown in Hoboken is scheduled in the first half of this year. And indeed the other investment programs will be carried out without any prolonged stoppage of the facility.

Now, what is our take on the real driving emission and actually the new set of rules that's just been approved by the European Parliament, it's moving in the right direction. Clearly the catalyst industry tends to benefit from tightening norms in any case and this is no exception. And it's because of tightening norms that the catalyst industry in general has outgrown car production rates.

And so the fact that the conformity factor will become much tighter than they are today will have relatively limited impact on after-treatment systems configuration in the short to medium term. However, once conformity factor reaches or gets closer to 1 -- I mean actually beyond 2020 or 2021, it will be one with an error factor of 50%. Then you will need to have a different configuration which will offer a renewed opportunity for the catalyst industry to increase its value added. So it's moving in the right direction. And we expect that there will be legislative moves in a number of regions in the coming years that will continue to support the trend for automotive catalysts.

And as far as the mix is concerned, it's as you describe it. It's a combination of a continuation of the trend that we saw in 2015 with the recovery of our share of the diesel business and a platform mix that looks supportive for the time being considering the platforms on which we have qualified. So it's a combination of both.

Wim Hoste - ***KBC Securities - Analyst***

Okay and very clear. Thank you.

Operator

[Andrea Creedy], BNP Paribas.

Andrea Creedy - ***BNP Paribas - Analyst***

Thank you for taking my question. Just a precise question on your electroplating unit, I was just wondering what kind of trends you see there in terms of volumes, pricing at the end of 2015 in Q4 and at the beginning of 2016 and what general outlook for this electroplating unit. Thank you.

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

Nothing special to report. In electroplating, it's a very steady business. So there was, in terms of volume or margin patterns, nothing extraordinary, out of the ordinary to report.

Andrea Creedy - ***BNP Paribas - Analyst***

Just to follow up, if I can. What type of visibility you have in this unit usually? Three months, six months in terms of volumes?

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

Sorry?

Andrea Creedy - ***BNP Paribas - Analyst***

What type of visibility do you have for this unit? Usually it -- is it -- in terms of volumes, is it three months, six months, lower than that?

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

Well, it's -- that's not the way it works in that business. It's a business that is based on a technical relationship between us and the clients. So very long development and qualification cycle. So it's not like we have an order book with the precise dates and doesn't work like that. I'm sorry, I cannot give you -- I cannot answer that question because the business works on a different model.

Andrea Creedy - ***BNP Paribas - Analyst***

Okay, got it. Thank you. Thank you.

Operator

(Operator Instruction) Andrew Benson, Citigroup.

Andrew Benson - ***Citigroup - Analyst***

Wonder if you could provide a little bit of help looking at recycling. And I know you talk about the level of uncertainty and I totally understand that. But were there any, either a capitalization of costs last year or indeed were there any kind a pre-expansion start up costs which either helped or hindered reported profits in 2015.

And what is the status, if you like, of those sort of one-off costs in 2016 or whether there'll be better fixed cost absorption? Do you see -- if everything else was identical year on year, what that impact would be?

And then over the write down, and I think it was EUR17 million in the second half. I mean, how much of a benefit would that be to profits in 2016? Timing of disposals, if you could give any -- shed any light on that. And then the use of the proceeds because you have a pretty strong balance sheet.

And then I didn't really understand the -- your issue about the -- in China. You said the Chinese made a declaration they weren't going to end subsidizes, but you're saying now that you believe the lobbying by companies in Korea and China will force the Chinese to change their opinion and change their subsidies, is that right?

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

Let me start, Andrew, with the last question. No, we don't know what the efforts may yield in that respect. I'm just saying that the lobbying done by the LFP producers in China is -- has been based on fallacious arguments. And so we don't believe that this is sustainable because what China needs are sustainable solutions and sustainable technologies, not this type of, I would say, unfruitful debates.

So the reality is that you need a coexistence of different technologies in the battery material space because some chemistries fit better certain applications than others and so it is not, I would say, a very rationale choice for the government to say we want that technology to be promoted. The government should actually define what are the norms and the objectives to be respected in terms of safety, in terms of driving range or fuel efficiency, fuel economy, et cetera. But the government is not well-placed, as we see from this discussion, to make technical choices. They should let the relevant industries do that based on well-established norms, whether it's safety or other norms. So I think indeed the debate is not over.

And let me come to your first question then about the recycling and startup cost, and I will hand over to Filip to address your other question.

As you may recall from previous discussions and from actually the presentation we made at the Capital Markets Day in, back in September, we explained that the ramp up of the additional capacity or the new capacity in Hoboken would be a gradual ramp up over, I would say, spanning 2015-2016. And so you should infer from that that the startup costs are going to be roughly equivalent in 2016 and in 2015. So this is not going to cause a major discrepancy in terms of earnings between the two periods.

And now let me hand over to Filip.

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

Yes, Andrew, thank you for your question. So on the non-recurrings, I mean, as you've seen, the most important element in the EUR75 million on an EBIT level is impairments of non-current metal inventories. So, as you may remember, that's a non-cash, really a non-operational element related to metal price evolution. So obviously that has no impact, I would say, on the operating performance, not in 2015 and not in 2016.

There is EUR23 million of restructuring charges that we took. Part of that is related, as we mentioned, to footprint adjustments, and I would say part of that will have a benefit to those businesses. I would say the benefit is more in terms of overall efficiency of the working of those units and their operational footprint, so nothing out of the ordinary. But, yes, there is part of a payback on some of these restructuring charges. But, as we mentioned, if you take the overall of the EUR75 million, most of that is non-cash and will not really have an operating benefit.

Then the -- your third question on the divestments, I would say we are on track with the divestment project. I would say we are still in line with what we announced in terms of the intentions last year. As we mentioned, we follow a bit of a dual track for practical reasons. So zinc chemicals is the first unit we are focusing on. And so that is on track. And in terms of proceeds, it's too early to tell, so we'll communicate that at the appropriate time. But you know and we try to communicate that in terms of returning cash to the shareholders, that is very much part of our strategy, of our objectives, but will provide you more comments at a later time on that.

Andrew Benson *- Citigroup - Analyst*

All right. Thanks very much.

Operator

Filip De Pauw, ING.

Filip De Pauw *- ING - Analyst*

Three questions also please. The first one is could you share with us the CapEx budget for 2016, preferably with a breakdown between maintenance and expansion?

The second question is a follow-up on the question of Wim on the supportive mix for catalysis. In the press release you are talking about higher volumes for HDD, but you don't mention that as being supportive for the mix. So am I right to assume that the margins on HDD for now are still below the margins you see in light-duty vehicles?

And the final question is a follow-up on the ITC litigation. Marc, you said that science is on your side, but I didn't really understood what you meant, but could you repeat that?

Marc Grynberg *- Umicore NV - CEO*

Yes, Filip, let me start with the third question. Actually the product that we made are not covered simply put by the patent side because the patent doesn't cover the combination of nickel, manganese and cobalt.

I don't want to enter into too many technical details, but actually one of the claims of the patent relates to the oxidation state of the product. And actually it is simple mathematics and chemistry. If you take the oxidation state of nickel, manganese and cobalt, you can never get -- regardless of the proportion of these ingredients, you can never get to the oxidation state that is claimed by the patent. So that's sheer science and so the patent covers other chemical formulations and not the chemistry that we are making. So I hope that's useful clarifications. Sorry, to go there for the non-chemists in the room.

Now talking about CapEx, we expect still a strong level of, high level of CapEx in 2016 because we have capacity expansions in the pipeline for automotive catalysts for battery materials in particular. And we have the follow-on investments in Hoboken to complete the capacity expansion as we mentioned earlier.

And in addition to that, it is also fair to say that given the accelerating demand in -- from the automotive sector for battery materials that we are currently revisiting our investment plan and may have to accelerate some of that. So we may have to frontload a bit more the capacity expansions for that business unit.

We are working on that as we speak, and we'll be back to you in the next few months once we are -- we have a better view on what will need to be done in that respect.

And then finally on the margin mix, no, your assumption is not correct about the margin differential between light duty and heavy duty for the simple reason that we don't blend the two segments. So when I talk about the mix in light duty, it's the mix of light duty, so the engine platform mix and the diesel versus gasoline aspect of the mix. And heavy duty is a separate equation.

Filip De Pauw *- ING - Analyst*

Okay, thank you.

Operator

Junior Cuigniez, [BBP].

Junior Cuigniez *- BBP - Analyst*

Thank you for taking my questions. You had a fairly high build-up in working capital despite following raw material prices. Obviously this is driven by the investments you've made, but can you maybe help us understand how we should look at working capital expansion going forward given future investments? Thank you.

Filip Platteeuw *- Umicore NV - CFO*

Yes, Junior, thanks for your question. So indeed I mean, the working capital, that increase that we've seen in 2015 obviously, as you say yourself, follows the substantial increase in volumes and in business growth. So as we guide everything else being equal in terms of metal prices, obviously you should expect further working capital increases as we continue to grow the businesses, especially in catalysis and in energy & surface technologies.

In recycling, as you know, it's a business model which is intrinsically low in working capital and has obviously an influence of metal prices. So that's a -- let's say that's a bit more difficult to give specific guidance. But overall, as we continue to grow the businesses, you should expect further increases in working capital next year and obviously we try to manage that as efficiently as possible.

Junior Cuigniez *- BBP - Analyst*

Thank you. Maybe just a small follow-up question with respect to the cash flow. This may be a very simple question, but is there a specific reason for the significant decoupling of the cash taxes and the P&L taxes?

Filip Platteeuw *- Umicore NV - CFO*

No, I mean you typically have some differences in timing of payments, et cetera. We've had that before. So there's no particular element to highlight, I would say.

Junior Cuigniez *- BBP - Analyst*

All right, thank you.

Operator

That will conclude today's Q&A session. I would now like to turn the call back to Marc Grynberg for any additional or closing remarks.

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

Thank you. And with that actually, I would like to close the call for now. And thank you for your participation. As usual, our Investor Relation team will be available to address any remaining questions that you may have regarding the publication of this morning. And we will, of course, meet most of you in the coming days. I mean, Filip and I will meet most of you in the coming days and have a chance to elaborate on the topics that were addressed today.

So I wish everyone a nice day and a nice weekend, and look forward to speak with you very soon. Bye-bye.

Operator

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