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Solid mid-term plan towards value recovery

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Indeed, we are at the core of everyday life. And this is what gets us up in the morning every single day, because of course we want to deliver value to our customers, but at the same time, we have this positive environmental and societal impact and it is great to work in such a company. And that's why we can also attract and retain so many talents out there, which is crucial for a technology company.

Now let's talk a bit more about Battery Cathode Materials in the Business Group Battery Materials Solutions. Here it is about the solid mid-term plan and value recovery that I already mentioned in my intro as well. Very essential: we move from a growth strategy to a value recovery strategy, that's a big difference. We move from a growth company to a cash optimization potential and a value recovery strategy. I want you to really understand that. And of course, Battery Recycling Solution is also in the Business Group Battery Materials Solutions and here it's about optimizing or differentiating the pyro-hydro technology, but also here technologies will be in our thoughts with every next step that we take.

So Battery Cathode Materials. I talked about this developing market still taking shape, right and I talked about the strengths that we have starting from our core business model in my intro. But I also talked about the additional requirements that emerged along the way. And one of those requirements is large CapEx. I mean, we know in the meanwhile this business requires a lot of money, right? We all know the need for economies of scale. There's also an intense competition from Asia, particularly China. That's a fact. With an increased focus on costs next to the technology dimension. We have to recognize that. And there's a dynamic geopolitical environment out there. IRA might be gone, Europe talks about local content requirements. We're still going to see movements in that space and of course the macroeconomic and therefore consumer adoption is always something that will evolve over time and again. All against this background of an inherent volatile market that is still taking shape today, so it's not a straight line.

Against this background, we said that we had to adjust to the new reality and that we were going to do this strategy review, and we did. We did not just do an internal exercise that would have been too easy. We really wanted to do a comprehensive exercise, also incorporating insights from industry experts. We wanted these externals to talk to our customers. Of course, we also talk to our own customers on our strengths and weaknesses. But we wanted to use external benchmarks, as I really tried it as hard as I could to get all the blindfolds off. We have talked to bulls and bears just to see their perspective and understand it. And we looked at two big dimensions. First of all, market attractiveness. What's the size of that market? What could be the growth of that market? What is the potential return in this market? What are key SuccessFactors and then our ability to deliver against those. We looked at our customer portfolio, footprint, technology, our cost position, value chain coverage and the financial requirements… And out of that came this mid-term plan towards that value recovery.

If you look at the EV market, this market is still on a significant growth trajectory. You see differences in different countries, of course and different regions, China moving faster than Europe and US. But you see that the growth is out there and that growth will not always be linear. That's normal in activities or industries which are in a transformation, you will see that volatility. So we have to take that into account. It will not always be that straight line.

But we also looked at what is the potential of NMC? Let me be clear, I'm not here to debate today on the percentage of LFP versus NMC. What I'm going to show here is actually external analysis based on external market frames. We talked to the Bulls and the Bears on what NMC adoption could be in the different regions and globally. And what did we learn out of this? Yes, there is definitely a market for LFP in that cost sensitive entry segment. In the high end, premium market it will be NMC. But in that mass market, that's where that technology evolution is still in full swing and that's where both technologies will coexist. But we can see that even in the bear scenario, there is a sizeable NMC market out there, especially in Europe and North America.

Now on our position. As I mentioned, we know there are additional requirements, but we should also recognise that we start off from quite some strengths as well.

Security of cost effective supply. I spent myself quite in some time of my career in this area buying cobalt, nickel, lithium for refining. We truly understand this market. We don't position on necessarily the mines because these are very cyclical as well and one day the price is high, the next the price is low. You might have seen that we actually announced in a press release today that we're opening up our optionality around precursor sourcing. We now have an extra partner in Korea. We also have now our partner in Morocco. We have our own precursor in Europe and China. We're opening optionality as we're not investing ourselves. Because that market is still moving, right?

A strong asset base: we have a strong foothold in Europe. We have a Korean asset that has been running for more than two decades and we have that Chinese plant optionality and I know it’s also a question here in the room : will or will they not close the China plant. And I tell you we're not closing the China plant today. Why? Because it's cash flow positive based on utilisation that we have, it's cash flow positive. And it's an interesting bridge for cathode materials and precursors going into Europe, but I'll come back to that later.

Leading technologies with freedom to operate. We own IP in the different regions that we can apply globally, not only in China but also globally, right. We have been developing CAM products for more than 25 years and we have the right products. We're also working already on the next gen solid-state batteries with good traction at customers. Of course, these technologies are not yet at market maturity and not yet in large scale.

And strong customer relationships. We believe that we have these strong customer relationships with take or pay with new entrants backed by OEM's, but also existing cell makers.

So to summarize on this robust mid-term plan, what did we establish from the strategic review? There is a sizeable NMC market out there. There is a solid foundation on which we can build and we have strengths and capabilities. But there are also additional requirements that we have to recognise. So we continue to work on our business model. Work with existing customers, but customer and platform diversification is going to be a core action that we're going to do as well. The two pillars, capital and performance that I mentioned in my intro and that are a red thread for each business group.

On Capital: Here it is about rigourous capital deployments with an € 800 million decrease in CapEx. Where is the remaining money going? Nysa and I'll get back to the details. In Korea to enable to bring that volume back from Canada and in our IONWAY joint venture. Regarding China, as mentioned that's site provides footprint optionality.

On Performance or dollar per kWh: All the colleagues including myself, first thing we do when we think we get up in the morning is what am I going to do to bring that dollar per kWh down.

Every meeting has to start with. How do I bring that dollar per kWh down? If you don't have the answer, don't do it. And we have a good cost position, but we have to improve it and we have to be more cost competitive going forward and I'll get to some of these cost drivers also later on.

We want to be transparent as well on what the contractual take or pay trajectory looks like, because it was always difficult for you to assess. I felt that in our exchanges, so I wanted to give that transparency and on this slide you see the sum of all the take or pay contracts that we have leading up to 133 GWh in 2028. If we look at different scenarios on volume uptake against these take or pay contracts with then of course changing compensation that we could get depending on the specific shortfall, we always end up in that range of € 275 to € 325 adjusted EBITDA in 2028. You also might remember that I said we're going to focus on customer diversification. There is no upside of customer diversification taken into this adj. EBITDA range for 2028. So customer diversification is not part of this. But I can also tell you that the contracts that we have and the take or pay allow us to use some capacity for different customers. So we know that some of our customers might have a volume shortfall. We know that they will have to pay for it and we will also enforce that because these are strong contracts. But simultaneously we can work on that customer diversification and that's what we're going to do.

There will be rigorous capital employment deployment from 2025 to 2028. We cut € 800 million in CapEx over that period compared to the original plan that had € 1.6 billion of which a cash out of € 300 equity for the IONWAY joint venture with PowerCo and € 1.3 billion for Umicore 100% owned facilities. We took out € 800 million. And that's mainly related to that Canadian project that we stopped. Of course, we now need to invest in Korea to absorb these volumes in that plant. Now if you look, that means that if you take out this € 800 million that we would stand at € 300 million equity right and € 500 million remaining investments in CapEx and maintenance. But as explained also over the FY 2024 call we see some delay in that non-recourse financing out there and therefore the CapEx cut is € 800 million. But the cash saving is € 600 million, that's something that we have to take into account.

Coming to our footprint. We have a global footprint and let me start in the East. In Korea today we have 30 GW hour up and running. This plant is running for more than 20 years by experienced teams. And Korea, let's see how the market evolves ultimately, but today, Korea is able to deliver locally. They can also access Europe and they can access the US. It's also the R&D hub for our Cathode Materials business. We now also have this partner in Korea to supply precursors that allow us to go to Europe and to the US going forward. Then let me go to China. In China we roughly have 30 GWh cathode materials capacity up and running, and here we also have precursor capacity for 80,000 tonnes and China is also still open for Europe. Yes, it comes with some duties, but giving that cost, the position is still open to Europe and that's also what you see in the business, right? I mean, people try to import cathode material in Europe as long as they can until the local content requirements might be introduced in certain steps of that value chain. If that happens we have precursors next to cobalt refining in Kokkola, Finland of 20,000 tonnes which we can upscale. We have the largest cobalt refinery at scale outside China. In Poland, Nysa, our 100% owned plants, we have currently 30 GWh capacity. This is the first operational NMC asset in Europe and we're building now the IONWAY joint venture in Nysa next door.

Now let me explain why and how much we are investing in these different sites. In Nysa, we are investing € 250 million to deliver against our customer and product requirements. We have to do it, if we see room later on to postpone a part of that we will do that, but the ingoing assumption is we have to do it. That's what it is. All of that, of course, is against contracts that

we're delivering against a take or pay. When we start filling that plan through that customer diversification and the existing contracts we have already, we really open up that optionality also for that economy of scale which will bring our CapEx density per kg as well as at our manufacturing cost per kg down. It will be a highly competitive asset and we're ready for the uptake of that market and also ready for that local content requirement which the EU is now talking about. You see here the CapEx and cost reduction, I also get back to that. But if I look at the individual return on capital, because remember, I'm not in a growth strategy anymore, I'm in a value recovery strategy. So I'm looking what is that return of that incremental CapEx that I'm doing? It's north of 20% as we start.

In Korea, we want to bring capacity from 30 to 40 GWh. And we have a proof point here as well. We were successful to bring that contract with AESC back from Canada into Korea and this allows us to minimise investments. Looking at returns, we will have returns well north of 15% on that incremental investment that we're doing. So money well spent to deliver against the contractual commitments and to avoid a bulky investment in Canada where, by the way, if you look at the environment there's a significant strong inflation and ultimately probably that project would even have costed much more giving the cost evolution that you see in that region. To be noted that also here we are covered by take or pay and Korea remains an interesting position to access to the US.

The IONWAY strong partnership with PowerCo. We still feel that commitment on their side. We're making equity contributions at the same level, so the same contribution always goes in at the same time. We now have waves called off out of the total 164 GWh ambition we initially talked about, right and that contract is still in place. Currently 70 GWh is under call-off. That's also extra transparency that we give to you today. And as explained that non-recourse debt has some delay here and that's why we're going to invest an extra € 200 million versus the original plan, summing it up to € 500 million, anything beyond is assumed to be further financed through non-recourse financing. Yes debt financing is a bankable plan because it comes with the necessary returns and guarantees as well as some inflation offset mechanisms. So to anticipate your question, yes. This will have returns above the cost of capital

Precursors and China. Why do I want to stay in China? First of all the cash burn is not there. It's cash flow positive. Secondly, I want to stay in that Chinese ecosystem because when we want to develop products with leading Chinese OEMs, even for business for Europe, you have to be there, your teams have to speak the language. They have to be there fast, it’s about proximity, and you have to demonstrate it locally because that's where their R&D sits. That's the value, and secondly, it's still an interesting bridge into Europe for precursors, but also CAM and it would allow of course for maximum capacity utilisation, because if you can play with your footprint and you start hitting more that maximum capacity, you still have that backup capacity that could be interesting as well always depending of course how duties and geopolitics would evolve.

Let's leave the Capital pillar on the site now and let's go to the Performance pillar. Bringing down the dollar per kWh: in 2025 we're going to take out already € 15 million costs. And cumulated over the plan 2026 to 2028, another € 80 million (and of course a part comes from the volume ramp up that's clear), so a total of € 95 million and this of course will further support that profitability and these cash flows that we are anticipating.

But I also talked about specific levers on which we were going to work for that cost improvement and you hear me refer once more to that end to end approach which in the Catalysis Business Group we also have. I mean it's only if you have that interplay between product developments, your sales people, your process people and your sourcing that you get that maximum value out of it. That's really that integration of that product design with that

process design and we have to improve there. Very frankly speaking, we have to step that further up. We continue to work on process optimization in Asia and in Europe. We always have done that continuous improvement of the yields, right. Decreasing energy consumption. We have this big furnace as some of you might have seen, it does consume energy, so that's also an important cost and ESG driver. And of course increase that throughput but also lower the running costs and get your yields at the highest level. It's also about conducting business which means you buy a lot of utilities, reagents, etc. You transport a lot of material because actually it's not such a dense product that you ship around the globe. Transportation indirect procurement is extremely important. Then we have the overall philosophy and operating model. Here we really work on that lean setup and also really make sure that we have these good scalable processes that you can go fast that you don't have this big learning curve if you start up new lines or new locations.

On this slide you see that reduction in that in the production process. It would allow us to take out 20% of our manufacturing costs based on 2028 and evolving towards 2030 another 10%. At the same time, while doing that, we prepare for that European local markets when the market returns, but also when that local content requirement plays up.

So to summarise, once more the financials: € 1.1 billion revenues in 2028. North of 25% adj. EBITDA margin in 2028 and Return On Capital Employed of 9%. Adj. EBITDA positive in 2026 and adj. EBIT positive in 2027.

And I want to stress this slide because I think that's an important slide. What we should not underestimate is that we will not invest beyond the current footprint. That means we move from growth to value recovery. And in that same spirit of value recovery, we are actively looking into partnerships to see if it can speed up or increase that value recovery. So we do that simultaneously.

Also, a small update on that Battery Recycling business unit and here of course it's all about scaling up at optimal market timing. That long term market is going to be there. There's going to be an MMC market out there. The size of that market might be smaller than we all initially thought or it might take longer before it's there. Hence we're scaling up our Battery Recycling activity later. But the fundamentals are there in that longer term. It will be a sizable addressable market at a point in time. And we're looking not only at end of life, but also at scraps throughout that value chain. Will it be foils? Will it be defect cells? Is it ultimately end of life cells coming back? We have a winning proposition. The Pyro hydro technology at scale is the most competitive, but it has to happen at scale. That's important. So that's why our market timing has to be right. And right now we will continue to further optimise our technology and test all these process parameters that we checked to see the possibilities of the technology and we're going to do that in the next two years with our industrial pilot facility. And this results in a spend for 2025 and 2026 of roughly € 25 million adj. EBITDA. But we're not just going to do the scale up and say, we have a truly unique technology, the market is coming, let's go in and do it alone from day one. There are smarter ways to play in this market because we cannot always scale on our own. We will analyse if we can have some risk reward share. Can we optimise our position in that value chain or ecosystem if we partner with somebody while at the same time not carrying all the risk and the CapEx burden on our own? So that's the trajectory for Battery Recycling.

So key takeaways: value recovery. With a solid mid-term plan on the one hand. We performed a substantial CapEx reduction and are very disciplined where we spend and how we spend money and we're actively exploring these partnerships.