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Transcript

Umicore Full Year Results 2025

Operator: Ladies and gentlemen, welcome to the Umicore Full Year Results 2025 Conference Call. Your speakers for this call will be Bart Sap, CEO, and Wannes Peferoen, CFO. For the first part of the conference, the participants will be in listen-only mode. During the question and answer session, the analysts joining the call are able to ask questions by clicking on the Raise Your Hand button on the player.

I will now hand the conference over to the speakers. Please go ahead.

Bart Sap (CEO): Good morning, everyone, and welcome to the full year results 2025 of Umicore. As you can see here, of course, we have taken this picture, a beautiful gold nugget. I think for the ones following us will understand why we have put that picture forward. And of course, I'll be coming back on that later when I look back on 2025.

Now if you read our set of numbers, I would like to highlight again that we have adjusted, during the CMD, a new reporting structure, a different segmentation in our business group. So please do have another good look at this slide because we will be reporting and commenting the numbers in the new structure.

Wannes is sitting here on the left with me, and he will also comment, of course, on the finance and some of the business trends as well as usual.

Let's have a short look at the agenda. So nothing particular here. First of all, we go on the core strategy, the key numbers, we're going to go over the outlook ultimately for 2026 and then hopefully have an engaging Q&A at the end of the session.

Yes. Our Core strategy. Now, we launched our Core strategy in March 2025, where we indeed had a different approach and not just chasing growth at any cost. Much more towards that value recovery in Battery Materials but also more value extraction in our foundation businesses. And roughly around the time that we were announcing our CMD, right, our new strategy, the world started to move violently, I would say.

The geopolitical landscape has been changing fundamentally. Therefore, also the markets as well as supply chains have been reshaped and continue to be influenced by new policies coming out. So the world is structurally different versus roughly a year ago.

Volatility is for the time being the new normal, and we will continue to navigate and of course, react and adjust according to the volatility that we see.

Now if I zoom out and see what's happening in the world, it's clear that we have a much more fragmented world. And that the world is waking up that if you want to be a technology leader, if you want to have a strong economy going forward, you need these critical raw materials. You need to have your own supply chains. And that's where Umicore's circular business model, which has multi-metal, on the one hand, on the recycling refining side, but also on the materials that

activate the world's downstream, the applications downstream, is more relevant than ever. So having a secure and sustainable supply chain in different parts of the world becomes a key element for society.

This is right up the alley of our strategy. And we set our business model with four key pillars: capital, performance, people and culture, and partnerships.

Let me now highlight some of the achievements that we had in these different segments over the years and some of the actions that we took.

First of all, on the capital, and that was the first picture of the presentation. Obviously, we sold and had a subsequent lease-in of our permanent gold inventories. This has unlocked significant value. This also has helped further to deleverage the company, but also transitions the price risk, the long-term price risk of these inventories outside of Umicore.

Now we also said at that time that lease rates for gold are typically stable. It's an alternative versus cash or pure money in the end. And even in that volatility, and that frenzy, let's say, around PGMs at this point in time, also lease rates for gold have remained stable at 0.5% to the 1% mark, well below typical financing rates that you would expect for normal debt.

Now next to the gold, we also have been very disciplined on our CAPEX. Remember, we guided at the start of the year more to €400 million. In the end, we came in at €310 million by making deliberate choices but also being very strict on the execution of the projects that we are having.

If I go to the performance pillar, where the full year results is in line with our latest upgraded guidance. We set between €790 million and €840 million during the summer. We came out slightly above that €840 million. So we're very satisfied with this set of numbers, a strong performance, I would say. And this was really also supported by the efficiencies targets and the mindset that we are cultivating more and more within Umicore. We promised €100 million. We achieved that target. And Wannes will explain later on, of course, that has helped to offset the inflation, but also some FX headwinds that we had in 2025.

So I mentioned it already, we're driving the company much more to a performance culture where we take our accountability. We really focus on what is the essence, we do what we need to do in a very disciplined way. And this is showing results, and we will continue to push forward in that direction.

On the partnerships, we also have not been sitting still, I would say. We had quite some action there as well. We closed the partnership around our silicon anode materials with a Korean company, HS Hyosung Advanced Materials. Together with them, we will industrialise this really interesting and exciting technology, and we found a way actually to bring that technology to the market without having to allocate excessive cash or very sizable amounts of cash for Umicore.

Next to that, critical raw materials. We have been working on that trend, of course, already for quite a while, and we announced our partnership with STL, Société du Terril de Lubumbashi. Basically, we have shared technologies, have upgraded installations in the DRC in order to recover germanium from old mining tailings. This was really a support for the business going in '25 and beyond.

Now let me go to the key figures. Wannas will go in more detail, so I'll stay at a pretty high level here.

I would say we really had a strong performance in our foundation business. It was supported by Group-wide operational excellence efforts and a favourable metal price environment. EBITDA, up 11% to €847 million, 24% EBITDA margin, and good free cash flow supported by the gold inventory sales of €524 million and leverage of 1.6. I think we can all agree this is a very solid set of numbers in the current environment that we live in. So happy with that.

Let me now go to the different business groups. Let's start off with Battery Materials Solutions.

So for your reference, Battery Material Solutions now represents, on the one hand, Battery Cathode Materials and the Battery Recycling business. Before I go in the details of the different business units, I would like to have another glance at the Battery Cathode Materials and EV markets out there at this point in time.

At the CMD in March 2025, we said that this market is still taking shape and has inherent volatility. Well, that's what we have seen in 2025 and also what we continue to see in 2026. EV penetration around the globe is progressing, but at quite different speeds. China leading decisively. Europe is following more moderate and US, well, there actually, we are quite behind.

Of course, the policy change of the new US administration is not helping in that. The CO2 tolerance is much higher than in previous administrations, that is clear. And that's why the policy is shifting and pivoting away, I even would have to say, from EVs to internal combustion engines, right? This clearly has an impact and you have seen announcements that even battery makers in the US are now focusing more on energy storage than pure EVs and, of course, quite a number of OEMs have had to make difficult announcements.

If I look to Europe and China, and it's depicted here as well with an arrow. That's really an area where there's an interdependency. Today, we see that China still has overcapacity. That a lot of OEMs are relying on China to import their batteries into Europe. Also for cathode materials, we still see cathode materials flowing into Europe at this point in time. So competition is fierce. I think that's fair to say.

Now at the same time, we also see that there's a heightened risk of trade tensions of potential restrictions of exports of certain technologies by the Chinese government on the one hand, but also in Europe, a much stronger talk about these local resilient supply chains and local content

requirements. So the next days, the EU is expected to come out with some policies. These will be important to monitor and could really make a substantial difference in the European landscape.

In general, summarising. The recent industry announcements are emphasising that the growth in Europe is somewhat challenging, but it also highlights the increased importance of our take-or-pay contracts, and I'll get back to that.

Now going to the numbers. So if we look in 2025 for Battery Cathode Materials, we did see a revenue growth of roughly 11% versus 2024. Volumes - actual deliveries were up versus last year. We did collect take-or-pay compensations for contractual volume shortfall. And there was a partial offset by lower refining income because of a weaker, more challenging cobalt environment on the pure refining side and also, of course, the nickel price environment was not necessarily beneficial.

Now the adjusted EBITDA as per our expectation came in around breakeven, which is a clear improvement versus last year, where the breakeven result was still containing a substantial positive one-off in 2024.

Now if you look at Battery Recycling Solutions, during the CMD, we said we would be roughly at minus €25 million. We came in at minus €21 million. Really also here, we continue to focus on optimising our process and recycling technology. At the same time, we're also very diligent here on the execution and cost management. Overall you can see a clear improvement on the EBITDA level, '24 versus '25 despite that we did not have that one-off in there.

All right. Let's go to the next business group, and that's Catalysis.

In good tradition, we also always start with an overview of the internal combustion passenger car production numbers. And here, we see that '25 is slightly lower than '24. It's not a substantial drop actually. It's minus 0.7%. Europe was more down. At the same time, South America and China, these regions even further progressed.

If I then look at the HDD segment, Europe, a slight decline, but a positive evolution in China of 7.1% growth, of course, starting from a relatively low base as the previous quarters -- or actually the last quarters in 2024 were not strong.

Now looking at the numbers. A solid set of numbers. We see a sustained demand for our products throughout the business group in a volatile market, I would say, so in an overall challenging economic backdrop. At the same time, we also continue to focus on our operational excellence, as we have been doing for the last years, and we're getting increasingly better at this year after year.

Now if I look to the auto cats, our volumes in auto cats were strong. We outperformed the ICE, so the internal combustion engine light-duty vehicle market, which reflects our strong position but

also the focus, as I mentioned, of operational excellence and efficiency is really part of the DNA. We continue further footprint consolidation, amongst others in Asia, where we have taken decisions around our Japanese operations.

Precious Metals Chemistry that follows to a certain degree, of course, that automotive catalyst business with the inorganic chemicals. They are the supplier of the inorganic solutions to the automotive catalyst business. So also a strong performance there. A good set, of course, PGM price support helping this business also forward. Now over to homogeneous catalyst business, which is selling typically in the broader chemical industry. We saw some softness in line with the overall chemical industry pain that we're all going through.

Fuel Cells and Stationary Catalysts. The earnings clearly improved. We had higher deliveries for our fuel cell catalyst solutions. We also are on track with our Proton Exchange Membrane fuel cell plant in China expected to start production in the course of 2026. On the stationary catalyst side of things, we do see a strong demand for backup power solutions and exhaust for these backup power solutions, specifically for data centres in the context of the high demand of the AI companies, AI application. So Catalysis' EBITDA margin, 27%.

Recycling. Well, you cannot talk about recycling unless you talk about the metal prices. And here, you can of course see that metal prices in 2025 are significantly higher than 2024. You know that Umicore, that we decided to hedge quite an amount of our exposure forward. Why? It creates visibility. It stabilises earnings profile and also protects against downside risk. That means if the price environment rallies beyond the average hedge price, indeed, you have some opportunity loss. But still today, we're very happy with these hedges. Now on the remaining open exposure, of course, there is a positive upside of stronger PGM prices to the overall earnings of the business group segment.

Now if we look at the overall set of numbers for the business group, we see an advancement in the revenues. At the same time, a stable EBITDA performance with a 39% EBITDA margin. So in precious metals refining, our revenues were in line with previous years. The metal price environment was supportive. We had good volumes. Of course, we had some average hedge rates decreasing year-on-year, which was a backdrop or actually a drag, let's say, on the results as such.

The overall mix was somewhat less favourable, still a very strong set of numbers for precious metals refining. We had some slight temporary process inefficiencies, which will no longer be there in 2026, but we were able to offset these by solid contributions from our operational excellence and cost saving efforts also in this business unit.

Jewellery and Industrial Metals. I mean, the central theme here is gold, gold recycling, gold processing. I mean, really a very strong market, strong revenue growth and also a good margin

expansion. So this business also doing really well on basically also the gold evolution and the gold focus, which is there in the market.

Precious Metals Management. Well, we've talked about already volatility in precious metals prices is an excellent market environments to trade and make trading gains. So this business unit also performed really strong.

Next business group would be Specialty Materials. And Specialty Materials is maybe a business group, which is sometimes a bit underrepresented or underappreciated maybe by the market and maybe we should also further strengthen our communication on this business group because it has a couple of beautiful gems in that.

If I look at the business group here, 16% EBITDA growth in 2025, EBITDA margin approaching 20%. Cobalt and Specialty Materials, there was support of a cobalt trend where we saw better momentum for cobalt premium products, right? And also here, again, efficiency. You've understood by now that efficiency is really part of our overall performance, and that's why we continue to stress it.

If I look at Electro-Optic Materials, there we have seen that China has taken a stronger stance on exports and not a lot of germanium has left China in the course of 2025. We have this joint venture with, for instance, STL, basically, which I highlighted earlier. And this allowed us also to continue to supply our customers in a very strong germanium price market, added by our closed loop refining and recycling services that we have.

So Electro-Optic Materials sees strong top line growth at the end of the year, and we expect to continue to see that growth also in 2026, so one to watch going forward.

Metal Deposition Solutions. I would say, overall, a good stable performance with a different mix between the business groups, but yeah, also pretty good there.

So I think this is where I would like to leave it at this point in time and hand the word towards Wannes.

Wannes Peferoen (CFO): Thank you, Bart, and good morning, everyone. Today, we'll start with EBITDA before moving on to cash flow, net debt, the P&L and balance sheet.

Adjusted EBITDA was up 11%, reaching €847 million, driven by volume growth across all businesses and efficiency savings. This broad-based growth resulted in €125 million of EBITDA contribution. We also delivered €100 million of efficiency benefits, which more than offset inflation of €68 million.

Metal result declined by €17 million due to favourable hedges rolling off. This was partially offset by increased prices for precious and platinum group metals, as well as minor metals for the

remaining open or unhedged position. There was a headwind from foreign exchange of around €45 million, largely due to translational effects as the euro strengthened.

Adjusted EBITDA margin improved from 22% to 24%, in line with our Capital Markets Day targets of more than 23%.

Now zooming in on our efficiency programme. We delivered €100 million of efficiency benefits in line with our target. 25% came from top line growth. 20% was due to a reduction in cost of goods sold and 55% came from a reduction in SG&A and Research & Development, in particular, in Battery Materials Solutions, Catalysis and Corporate. Headcount in the group reduced 3%.

Turning to cash flow. Cash flow from operations, before changes in working capital, amounted to €1.1 billion. This was supported by cash proceeds of €525 million from the sale and subsequent leasing of the permanent gold inventory in recycling. We finalised this transaction in October last year. It enabled us to unlock significant value, strengthen our balance sheet and reduce finance costs.

Net working capital increased by €298 million, mainly as a result of higher activity and, to some extent, increased metal prices. The significant reduction in CAPEX down to €310 million demonstrates our capital discipline. This reduction is most prominent in Battery Cathode Materials, where we are leveraging footprint flexibility and phasing our spending. Free cash flow from operations was €524 million.

Moving to the net cash flow bridge and net debt. The free operating cash flow largely covered the €250 million equity injection into our joint venture, IONWAY, in January '25, as well as taxes, interest and dividends paid. In January this year, after the year-end, Umicore and PowerCo each contributed an additional €175 million to the IONWAY joint venture.

Net debt reduced slightly to €1.4 billion, resulting in a leverage of 1.6 times adjusted EBITDA, down from 1.9 times at the end of '24. This is well below the anticipated peak of 2.5 times as we focus on capital discipline and maintaining a solid balance sheet.

Looking at the consolidated P&L. Adjusted EBIT improved by 21% to €579 million. Adjusted net finance costs of €173 million were up €65 million, mostly due to lower interest income on cash as rates came down and a negative impact from foreign exchange. Adjusted tax charges were in line with the prior year. Pretax income was slightly up, but the adjusted effective tax rate came down from 29% to 26%.

Adjusted net income of €288 million was up €33 million, and adjusted earnings per share were up 13% at €1.2. We are proposing a dividend of €0.50 per share, in line with last year and with our policy of a stable or rising dividend. And this represents a payout ratio of 42%.

Adjustments to EBITDA amounted to €365 million. As I said earlier, we optimised our business model in recycling by selling the permanent gold inventory and replacing it by revolving leases. This generates a pretax gain of €486 million. This was partly offset by an impairment of our joint venture participation in Element Six and provisions related to specific restructuring programmes.

Adjustments to net result include a derecognition of a previously recognised deferred tax asset and the tax impact of the gold inventory sale. Net income was €385 million compared to minus €1.5 billion in the prior year when there was an impairment charge for battery cathode materials. There was a big improvement in return on capital employed from 12.3% to 15.7%.

Now turning to the consolidated balance sheet. Our liquidity remains robust with cash of €1.6 billion after repaying a €500 million convertible bonds in June. As I said earlier, net debt was stable at €1.4 billion, and the leverage ratio came down from 1.9 to 1.6 by the end of the year.

Group equity improved to €2.3 billion, corresponding to a net gearing ratio of 37%. We have hedged a substantial portion of our metal exposure for '26, '27 and '28, and we continue to look for opportunities to hedge further in particular for '29 and 2030, taking into account market interest and forward rates.

To sum up, we delivered a strong performance in '25 as a result of volume growth across the board and €100 million of efficiency benefits. Adjusted EBITDA improved in every business, except Recycling, where it was stable, and CAPEX was well below the prior year. Selling the permitted gold inventory has given us additional headroom while reducing future finance costs. And we continue to focus on driving cost efficiencies, controlling working capital and disciplined capital allocation in '26.

I will now hand it back to Bart. Thank you.

Bart Sap (CEO): Thank you, Wannes, for that overview. Very clear. Let's maybe have a look at the outlook for 2026.

So the essence basically is that we enter the year on a stronger footing. And if I look at the different business groups, on Catalysis, we continue to have a very strong performance in this business group. We see that continue into 2026, and we are happy with the state in which it is and that this will continue going forward.

And Recycling, I think the essence is that in the current favourable better price environment that we'll be able to offset the negative impact of the average lower hedged metal prices as well as the shutdown, which is foreseen in 2026. So also moving on well there.

Specialty Materials, continued strong performance. We do expect we continue to see that top line growth, amongst others, in the germanium products but also a supportive cobalt price environment will help to further support the results.

And in Battery Materials, we continue to pursue the mid-term plan to recover the value, while at the same time, we, of course, have to navigate a volatile and competitive market. So we continue to focus on rigorous capital allocation. We're going to continue to lever our contracts with our take-or-pay commitments on which we clearly say that the importance of these take-or-pay mechanisms is increasing, getting the volume development that we see. And in Battery Materials Solutions, we continue to be disciplined and are spending broadly in line with 2025.

On corporate costs, we expect a slight increase because we continue to invest in AI-driven solutions to further enhance and support our operational excellence. For capital expenditures, we are expected to increase versus 2025. And this is mainly driven by a selective growth initiatives in Recycling, so engineering that we do for the decision we need to take around the expansion in Hoboken in our Precious Metals Recycling business that we will take in 2026, but also selective high-quality growth investments in Specialty Materials.

On CAPEX, we do expect to be in a range between this year and last year guidance of €400 million with, again, a very good focus on disciplined execution.

So if I sum that up, I would say that we will not be providing a concrete guidance today. This is because the market is still very dynamic. And we'll have to continue to navigate that environment. Yet based on what we see today, we would expect adjusted EBITDA to further progress into 2026.

Now shortly wrapping up before we go into the Q&A. And this is also a shout out to the teams. I think 2025 was really a pivotal year. And Umicore and the teams have shown great resilience. They have shown great discipline also to focus on what our core is and taking courageous actions to basically be able to deliver this strong set of numbers.

It's fully in line with our core strategy execution. We're well on track. We're entering 2026 on a much stronger footing, and we will continue to build on the momentum of 2025 going into 2026. So really positive 2025 and with confidence we go into 2026.

With that, we go to the Q&A.

1. Questions and Answers

Operator: Ladies and gentlemen, if an analyst wishes to ask a question, please click on the Raise your Hand button on the player. The first question that we have is coming from Wim Hoste from KBC Securities. Your line is now open. You can unmute your microphone.

Wim Hoste (KBC Securities): Good morning. Do you hear me?

Bart Sap: Yes. Hi. Good morning, Wim.

Wim Hoste: Yes. Good morning, everybody. Thanks for taking my questions. I have two, please. On metal price hedging, you indicated that the hedge levels in '26 will be below '25. Can you

maybe elaborate a little bit on the outlook of your hedge book? Is it fair to assume that the hedging price levels will increase probably materially as from '27 onwards? Can you maybe elaborate on that?

And then also linked to metal price hedges. Yeah, what are the limitations to hedging more and further into the future? I think you indicated that you're looking to increase the hedging for '29 and 2030. What is prohibitive in this case? Is it just availability of counterparties? Is it financing costs, which get increasingly expensive – extending the hedges into time? Can you maybe elaborate also a little bit on that? Those are the questions. Thank you.

Wannes Peferoen: Yes. Good morning, Wim. Wannes here.

Wim Hoste: Good morning.

Wannes Peferoen: I'll take those questions. So looking at the metal price levels of the hedges, that is something we don't communicate, but at the same time, we can also share that, I mean, moving from '25 into '26, there will be less support from the average hedge prices that we have looking at '26. At the same time, looking at the average hedges that have been locked in or the volume of hedges that we have locked in, looking at '26 and '27, this is where 70% on average of the exposure that has been locked in. So I think looking at the metal price exposure, this is where in the current favourable environment, there's still upward potential, but it's limited to that open exposure of, let's say, roughly 30%.

Now we are looking into hedging further looking at '29-2030, again, on the back of creating that visibility, creating that predictability of the earnings but this is where looking at the market environment. On the one hand, we see a heavy backwardation looking in particular at the PGM prices, but also limited market interest from counterparts to lock in those prices, hence also the heavy backwardation. So this is something that we are monitoring closely in order to secure basically at the right time at the right price levels for those years '29 and 2030.

Wim Hoste: Okay, clear. Thank you very much.

Wannes Peferoen: You're welcome.

Operator: The next question is coming from Sebastian Bray from Berenberg. Your line is open. You can unmute your microphone.

Bart Sap: Sebastian, we don't hear you.

Sebastian Bray (Berenberg): So I have a few, please. The first is on the financing costs. Are there any one-off items.

Operator: Sebastian, we lost you for a second. I will open your line again.

Sebastian Bray: Thank you. I think there's a lag on the mic. So I'm just going to speak. What would you provide us guidance for '26 financing costs? My second question is on the..

Bart Sap: Sorry, Sebastian, we really can't hear your voice.

Caroline Kerremans: There is an issue with the line on your side, Sebastian. So I think it's difficult to receive your questions. If there is any opportunity to send them over to chat that would maybe be helpful, and then we can move on for now to the next analyst, I believe, because it's difficult to take this as such. Thank you. Gaia, can you move on to the next analyst, please.

Operator: Yeah. The next question is coming from Chetan Udeshi from JP Morgan. Your line is now open. Please unmute your microphone and go ahead.

Chetan Udeshi (JP Morgan): Hi. Can you hear me okay?

Bart Sap: Yeah. Loud and clear, Chetan.

Chetan Udeshi: Okay. Cool. So I had a few questions. First one, I appreciate you're not giving the guidance even though you gave same point last year, some guidance for 2024. But I also remember Umicore historically never gave guidance at the start of the year.

Bart Sap: Correct.

Chetan Udeshi: So I don't know if are just going back to the old practice. But just based on all of the things that you mentioned, qualitative assessment, what you've seen so far, what is your feeling on the consensus that we have from Vara for 2026, do you have a view on where the consensus is? And is that in the right path?

The second question. I was just curious on your take-or-pay contribution in the Battery Materials. It's pretty clear right now that some of your customers like ACC, they publicly announced that they are scaling back the ramp-up plans. So I'm just curious, are you getting compensated one-to-one for the lost volumes? Or is it more a negotiation where you are still trying to be flexible if your customer can't take the volumes?

And the third question. On Recycling, you mentioned some processing efficiencies. Can you quantify that? Is that a material drag last year, which shouldn't recur this year? Thank you very much.

Bart Sap: Okay. Wannes, you go on the guidance or I can go on the guidance on this matter.

Wannes Peferoen: Well, I think on the guidance, again, we highlighted it's too early to be very concrete. At the same time, looking at EBITDA, this is where we say, yes, we are confident on the year '26, and we expect to make some progress in '26. Looking at other elements of guidance, CAPEX we highlighted. We expect the CAPEX to come in between €300 million and €400 million. We will continue to be diligent and disciplined.

If you look at Battery Cathode Materials, we reduced the spend in '25 versus what we anticipated, and we anticipate to do the same for '26. At the same time, looking at the foundation business. This is where, in Precious Metals Refining, we are working. We are engineering on that expansion of the flow sheet that will result in some step-up in CAPEX.

And in Specialty Materials, we see some very specific growth opportunities, which we want to support to hand the range of €300 million to €400 million.

Now the favourable metal price environment, obviously, can be supportive to the EBITDA, but it can also put pressure on the working capital, and this is something where we will diligently work on in order to make sure that we can offset to a maximum extent any upside pressure on working capital. I think those are key elements, I think we can guide on today.

Bart Sap: Yeah, that's right, Wannes. And last year, we decided to guide because of the specific circumstances around all the trade uncertainty and the tariffs, right? So we wanted to be clear also there where group was heading and to give you clarity because it was probably the biggest uncertainty out there in the market at that point in time.

Now on your second question, the take-or-pay and the further progress. Well, first of all, I mean, I think we have been pretty transparent and clear that, in 2025, there is indeed a portion of take-or-pay in the results for which we are financially covered. The ramp-up across contracts, I will not talk about specific contracts. I will never do that. But we see that across, if I talk more broadly on the ramp-up, it is slower than what we would have wanted to see or what our best view was at the CMD in March.

So the rates of take-or-pay in that trajectory that we shared is increasing, right? And this is something that I would like to highlight. At the same time, we continue to have strong confidence in contracts, and we will continue to leverage these contracts as we have done in '25 and we'll also be doing going forward.

On the Recycling, I forgot what exactly was the question?

Chetan Udeshi: The process inefficiencies.

Bart Sap: The process inefficiencies, yes. Wannes, if you want?

Wannes Peferoen: Yeah. So I mean, looking at Recycling, we highlighted that the volumes were up. The volumes processed were up. At the same time, looking at the downstream, this is where we had some technical hiccups, resulting in some additional costs, some additional rework, but not too material, but at the same time, we also wanted to highlight as it impacts the results.

Bart Sap: That's right. And as I highlighted in my presentation, we did offset those with further efficiencies in other parts of the plant. We just want to be transparent and open around this. Again,

for 2026, there's not going to be any effect of these operational inefficiencies, so not to be taken into account for you for 2026.

Chetan Udeshi: Understood. Thank you.

Caroline Kerremans: Before we move on, we can maybe take the questions of the Sebastian Bray that have come in through the chat. So the first question is the financing costs in 2026. Could this be down versus 2025? The second question is, could Recycling turn to levels of full year 2021? And then the final question is on the IONWAY JV. Could this be recut or renegotiated as Volkswagen is cutting back on bad estimates?

Bart Sap: Maybe you take the first one. I'll take the two other ones.

Wannes Peferoen: Yeah. So looking at finance costs, obviously, very difficult to guide because there's two components which we don't have fully in control. One is basically the cash deposits and the interest rates we get on those cash deposits. And this is also where there has been a steep decline in '25, and hence, also less contribution to the finance income, I would say.

The other element is the forward points looking at the financing transactions and foreign currencies. This is where we also carried the forward points and, again, hard to predict, I would say. At the same time, I think '25 seems rather exceptionally high. Looking at the financing costs, I think I would anticipate to have that lower going into '26. But again, hard to give guidance on.

Bart Sap: Yeah. And then on the Recycling. Well, I think it's true. I mean, it's a fact that actually your hedged exposure or unhedged exposure, let's say, in '29-2030, the more we move out in that period. I think we're substantially less hedged in that timeframe. I suppose that current favourable metal environment remains for all the main metals such as platinum, palladium, rhodium and, of course, some others as well.

Clearly, there could be a substantial upside versus the EBITDA that we are reporting today. And at the same time, these prices are not guaranteed, so it's impossible for us to guide on that. But in theory, there would be, of course, a higher upside possible.

On the Volkswagen question, you understand, I will not comment on that. We have clear contracts in place. We are continue to enforce these contracts. And at this point, I have nothing material to share with you on that point. Thank you.

Operator: As a reminder, if an analyst wishes to ask a question, you can click on the Raise your Hand button on the player. We have our final question at the moment coming from Mazahir Mammadli from Rothschild & Co Redburn. Your line is now open. Please go ahead.

Mazahir Mammadli (Rothschild & Co Redburn): [Inaudible] [00:43:49] questions from me. So assuming that we have a favourable metals price environment going forward in the next couple

of years, what would your priorities be in terms of allocating the excess free cash flow that we generate?

Bart Sap: Yeah. So basically, as I understood well, it's actually a cash flow allocation question, Wannes. But I mean, let me start off here as well. I think our focus today is still really on further being cash discipline. It's really on that value recoveries. And once the balance sheet continues to remain strong and solid, we will, of course, then decide what to do with excess funds and the way coming out to the market. So we don't have a clear view on that at this point in time because our focus is still on solidifying in a structural way the balance sheet.

So Wannes, I don't know if you would have any?

Wannes Peferoen: No, completely right. I mean, looking at what we said in the CMD is that we look at landing at a structural leverage between 1.5 and 2, let's say. And once we have that in place, once we see that recurring, that's the next topic that we will need to discuss.

Bart Sap: Yes.

Mazahir Mammadli: Thank you.

Bart Sap: Thank you, Mazahir.

Operator: We will now take our final question from Stijn Demeester. Your line is now open. Please go ahead.

Stijn Demeester: Yes, I'm in. Yes, some difficulties here. So first one is on the SK On contract and the probability of renewal in '26. Second one on the margins for take-or-pay versus actual volumes, can you say something there in terms of where they sit? And then the last one on the shutdown in Recycling. Any view on when this will happen? These are my questions.

Bart Sap: Sorry, Stijn, can you repeat the last question?

Stijn Demeester: On the shutdown in Recycling and when we should plan it in?

Bart Sap: Yeah. Okay, thank you, Stijn. Very clear. On SK On, indeed, we said that there was a probability to extend the contract and that did happen. So we continue to supply SK On in 2026. So that is definitely a positive.

On the margin of the take-or-pay, there I think what I said, I mean, the idea of the take-or-pay margins is to protect the investments that we have done. And as you have seen also when we were guiding for 2028, we have seen different scenarios of take-or-pay in actual volume delivery. And you saw that, that range, 275, 325, right, was rather muted. So you could from that, of course, deduct that the margins, indeed, are sufficiently strong to cover volumes to full margins.

Now on the shutdown from Hoboken PMR. I mean, this is happening in the second half or later this month, actually. So we are preparing or entering, as we speak, the shutdown.

Stijn Demeester: So is it a correct assumption that if you would fully lean on take-or-pay that you hit the 275? Or is that a too positive take?

Bart Sap: I mean we have said during the CMD that indeed different scenarios of take-or-pay as well as real volume offtake would give that range of 275, 325. So the answer is yes. Correct.

Caroline Kerremans: Before we close it off, I still have an e-mail of Georgina Fraser from Goldman Sachs. I also want to highlight that we will look into the difficulties that people are having to connect to this call that this will not happen going forward. But so let me then phrase Georgina's questions here. How much CAPEX investment needs still outstanding for Battery Materials?

The next question is, is this increasingly in conflict with potential growth opportunities in Recycling, Specialty Materials in management's views? Feels to me like the opportunity cost is getting larger.

Bart Sap: Okay. Very clear. Wannes, maybe you take one, I'll take two.

Wannes Peferoen: Yes. So looking at Battery Cathode Materials, as I said, in '25, we reduced the CAPEX spend as we are optimising, or using basically the footprint flexibility in order to reduce and phase the CAPEX. So looking at Battery Cathode Materials, what we shared with the market during the CMD is that, on the one hand, we have the fully owned capacity, where we would need to invest about €350 million. This is where we expect to be able to reduce it with €100 million looking at '25 and '26.

Then what we also highlighted in the Capital Markets Day is that we have the capital injection into IONWAY, where we anticipated still to invest €500 million between '25 and '26. This is where we invested in 2025, €250 million, and where at the start of this year, invested €175 million. So bringing that to a total of €425 million. We expect to stay within that budget of €500 million in order to finalise basically IONWAY.

Bart Sap: Yeah. So I think that's correct, Wannes. So in other words, I mean, we're phasing our CAPEX and function of the real underlying demand that we see, and we said that we would be disciplined. And for the time being, we're not spending those CAPEX. As discussed earlier, the important of take-or-pay is growing and that immediate need is not there. And that transits in that question on the conflict versus recycling.

Well, I mean, I would say, first of all, we have a set of business that we have today, right? A very strong core foundation business, and which we're going to continue to invest in selective growth initiatives. I've been highlighting the germanium in the field of Electro-Optic Materials. We will decide on the investments in Hoboken in 2026. And I think the current evolution in Battery Materials is not holding us back to do that if we wanted to do that from a financial point of view. So no, there's not an immediate conflict. Of course, if you would think about really bold moves, then, of course, value recovery and Battery Materials would definitely be an important milestone to achieve.

So no, I don't see that immediate conflict on the CAPEX as we are keeping it to the lowest amount possible, and we continue to lean on our take-or-pay contracts.

Caroline Kerremans: Okay. Then we still have questions from UBS as well. A small reminder that normally we stick to one question per analyst, but given the situation that we are in, I'm making some exceptions here. So for UBS, the first question is, can you tell us what percentage of Battery Materials Solutions sales came from take-or-pay payments?

The second question is that the guidance for the CAPEX includes the IONWAY payments. If not, what should we anticipate for? And then in the cost savings, could you give an indication for the cost savings in 2026? And then we still have a question on, what do you expect to do to protect the EV supply chain? And then a final one has Umicore been asked to join projects.

Bart Sap: Well, I think it's quite a list.

Caroline Kerremans: We slowly start to close the call, but of course, IR will respond to your questions. And I'm now handing the floor back to Bart and Wannes to answer these final questions.

Bart Sap: Yeah. Thank you, Geoff, for the questions. Wannes, you take one and two or?

Wannes Peferoen: Yeah. So looking at take-or-pay in '26. I mean, as you have seen, looking at the revenues, top line and bottom line, we saw a step-up. I mean, look at revenues 11% up, looking at the bottom line and excluding the one-off of €24 million, we also saw a significant step-up. This is driven by effective volume shipments, but also by take-or-pay. And that's also why we highlighted because it is a material contribution to the top line and bottom line.

Now looking at CAPEX guidance. So the guidance we give the €300 million to €400 million is excluding contributions to IONWAY. And this is where, as I highlighted earlier, in '26, we contributed already €175 million. And we will stay within the budget that we shared in the Capital Markets Day. So meaning that for '26, we will not exceed €250 million for IONWAY equity contributions.

Then looking at the cost saving objective for 2026. This is in line with what we shared with the market in March last year, is where we are targeting to offset inflation and we anticipate inflation to be €50 million to €75 million. So that's a target that we have put forward to the teams to at least generate savings in order to offset that anticipated inflation.

Bart Sap: Yeah. And then on the question on the EU EV supply chain. Well, I think I can only base myself, of course, on the information which is out there in the press and that you might also have seen, but which somehow also confirms the feeling that I had earlier is that the commission might be looking at indeed onshoring more battery production as well as battery materials production in the EU, right?

The word on the Street is that if you would want to get support from the EU in terms of CAPEX or OPEX going forward that you would need to have a strong amount of local content, including for batteries, and therefore, also cathode materials.

So as mentioned in that one slide that I had, that could significantly change, of course, the equation of the European for Battery Materials investments, which are out there. So probably I'm asking as you to learn what ultimately the commission will decide.

On Project Fault[?] [00:54:51], I mean, I would say that, in general, we're talking to several regional, let's say, leadership, not only in the EU, but of course, also in the US. In the meanwhile, I think the biggest impact of Project Fault, of course, is that the overall price environment for these metals is supportive. So whether a direct or an indirect effect that you have is basically that such stockpiling, which they are talking about is typically supportive for price trends, at least in the shorter term.

So with that, Caroline, I don't know if there's any other questions outstanding?

Caroline Kerremans: No, I think we can indeed wrap it up and close the Q&A for today.

Bart Sap: Well, first of all, I was looking for an engaging Q&A. The quality of the questions was definitely good. The quality of the line definitely not. But I mean, we're going to rematch with most of you next week in London and really looking forward to that.

Now, in a summary, it will not be a surprise. We're really satisfied on how things evolved in 2025. It was a pivotable year where '24 was a year of crisis management, '25 was the year of a clear new direction for the company with disciplined execution on which we delivered strongly our culture, and the organisation is moving in the right direction. We're focused on our goals, and we will continue to do so for 2026.

So with that, I would like to thank you for your attendance and the ones that I see next week, looking forward to that and talk to you soon. Have a wonderful day.

Operator: Thanks for participating to the call. You may now disconnect.