

# Summary of the Business Plan 2024 with business assessment 2023

Celje, 30 November 2023

## Business Plan 2024

The accounting and financial pre-accounting, which forms the key elements of the plan presented below, is carried out taking into account the basic qualitative characteristics of business information: understandability, relevance, reliability (prudence) and comparability. The following note is an estimate of future business conditions and performance based on the currently available set of external and internal information and should therefore be understood as a forecast with a logical and expected degree of uncertainty associated with it. The IAS recommendations and guidance have been taken into account in the compilation.

We have minimised the impact on our business in 2023 by taking swift and effective action. The factors where our influence is limited continue to be present in global trade, notably the expansion of pigment capacities in China and their placement in the EU. The year 2023 was marked by a decrease in the selling prices of pigment. Based on experience, we estimate that the pigment industry is moving towards the bottom of the cycle, which is likely to be reached in 2024. On the purchase side, we are facing above-average price levels for titanium-bearing raw materials. Lower demand for pigment from various industrial segments, pressure from customers to adjust selling prices and high input prices for key energy-intensive raw materials have led to a greater reduction in operating margins (profit levels).

Based on the above description of the situation in the carrier industry, the company enters 2024 with caution. Taking into account the current market conditions, the outlook for the titanium dioxide industry and projections of macroeconomic conditions in the global economy, we have set a roadmap for 2024 that we believe is realistic. The most important highlights of the business policy embedded in the plan are as follows:

- The margin will be at a similar level as in 2023, but with uncertain macroeconomic conditions and lower demand for pigment, we anticipate that it will not be possible to fully utilise production capacity in 2024. Irrespective of market conditions, our focus remains on maximising production capacity utilisation and improving our sales structure. In titanium dioxide pigment, we will reallocate a flexible part of our sales volumes to the most profitable markets on an ongoing basis. We will pursue a similar strategy, with an additional focus on maintaining the volume plasma and protecting sales margins, in other carrier products, notably copper fungicides, powder coatings and masterbatches.
- We will continue our strategy of allocating potential or resources to the most profitable and promising areas and programmes. In the coming year, we will make the bulk of our investments in improving quality, improving operational safety and increasing the production capacity of titanium dioxide pigment. We will place particular emphasis on our investments in the sustainable development and the energy efficiency of the company.
- Achieving a lower average selling price level for pigment and a higher level of volume sales are taken into account. The pigment market is considered to be quite volatile.
- Given the situation in energy markets in previous years, we expect energy prices to gradually moderate in 2024.

- The sourcing of key raw materials remains extremely important in 2024. We expect titanium-bearing raw material procurement prices to stabilise at slightly lower levels. The bargaining power of suppliers remains high, mainly due to low competition or a low number of suppliers in the titanium-bearing raw materials markets. We will continuously develop solutions that are optimal in terms of operational safety and cost. Activities relate to identifying (testing and validating) new raw material sources, optimising the raw material mix, developing cooperation with existing suppliers and developing new sourcing routes.
- Traditionally, we will be conservative in the areas of financing and cash management. In 2024, we are planning investment volumes that exceed the average of previous years. We will make investments on a programme-by-programme basis, according to need, capacity and prospects. Inventories will be lower than in the previous year. The volume of receivables will be higher due to higher sales.
- In 2024, we will gradually start to use external funding for key investment projects.
- We estimate that the company's performance in 2024 will be at a similar level to that in 2023.
- Metallurgy BU is closing at the end of 2023. This business unit accounts for less than 3% of revenue and has a minimal impact on profit or loss.
- 50 % of the net profit will be earmarked and paid out as dividends.

The key external assumptions and determinants of the 2024 Business Plan are set out below. The set of most relevant factors relates to the company's environment at the global, regional and local level. The most important concrete determinants are therefore:

- The reference rate for the US dollar is 1.06 \$ for 1 €, key and benchmark interest rates are broadly unchanged and the price of a barrel of oil will be at \$ 93.
- In 2024, economic growth rates will be below those achieved in 2023, in line with current expectations. Specifically, the GDP dynamics of key economies are projected as follows (2023 estimate > 2024 forecast): World 3.0% > 2.9%, Europe 1.3% > 1.7%, Germany 0.8% > 1.2%, France 1.2% > 1.4%, Russia 1.6% > 1.6%, China 5.2% > 4.6% and USA 2.4% > 1.4%.
- The political/security situation in Europe, the Middle East and Ukraine will intensify.
- Social cohesion, overall security/stability and the functioning of the economic system in Slovenia will remain within the normative frameworks that ensure the smooth operation of economic operators.
- Other programmes have traditionally been planned conservatively.

In 2024, in line with industry expectations and cycles, we will reach € 186.6 million in sales revenue. The projected net result for 2024 is a net profit of € 4.0 million. The lower net profit is a direct consequence of the falling sales prices of titanium dioxide pigment and high levels of purchase prices. The expected operating profit plus amortisation as a percentage of revenue (EBITDA margin) is 10 %.

We will make investments on a programme-by-programme basis, according to need, capacity and prospects. We will invest mainly in projects to remove bottlenecks, increase energy efficiency, reduce negative environmental impacts and improve safe and healthy working conditions. The largest part of the investment will be in titanium dioxide production.

Our development activities will be focused on ensuring the conditions for achieving the production volumes limited by the Environmental Permit, improving the quality of products in line with customer expectations, developing individual products to improve the product range in line with market

requirements, and tasks in the area of sustainable development (waste reduction, more rational use of resources).

In 2024, we will focus on ensuring the material and social security of our employees and their safe work. Our policy and strategy in this area will be adopted and managed in cooperation, consultation and consensus with the employees, their representatives and trade unions.

All estimated values presented in the business plan, as well as comparisons and relationships of the planned values with the previous year, refer to the prepared assessment of the business and operating performance of Cinkarna Celje, d. d. in the current year. The estimate is based on the values already realised in the first nine months of the current year and on realistic assumptions about the evolution of the variables until the end of the year. Estimated revenues and net profit for 2023 do not include State aid received under the Act on Aid to the Economy to Mitigate the Consequences of the Energy Crisis (ZPGOPEK), under which the Company is claiming aid to mitigate the effects of the energy crisis.

**Management Board of the Company**

## Overview of the most important data

	Plan 2024	Estimate 2023	2022	2021	2020
<b>OPERATIONS in € 000</b>					
Sales revenues	186,624.08	170,733.27	227,153.12	192,462.10	172,386.90
Operating profit (EBIT) <sup>1</sup>	5,745.31	4,976.84	53,175.64	39,976.60	22,534.40
Operating profit increased by depreciation (EBITDA) <sup>2</sup>	19,026.81	16,984.07	65,326.33	51,258.00	32,467.20
Net profit or loss	4,035.02	5,045.53	43,396.47	33,227.10	18,950.70
Non-current assets (end of period)	120,627.72	110,530.53	108,559.53	110,511.61	110,888.70
Current assets (end of period)	100,243.31	142,586.78	142,388.47	131,373.20	100,251.70
Capital (end of period)	185,960.46	214,055.68	209,010.15	190,165.80	174,820.90
Non-current liabilities (end of period)	15,111.62	18,509.38	18,831.72	23,273.00	20,876.40
Current liabilities (end of period)	19,798.95	20,552.26	23,106.14	28,446.00	15,442.00
Investments	18,378.20	16,259.42	10,546.50	11,325.40	12,233.00
<b>INDICATORS</b>					
The share of EBIT in sales revenues	0.03	0.02	0.23	0.21	0.13
The share of EBITDA in sales revenues	0.10	0.09	0.29	0.27	0.19
Return on sales (ROS)	2.16	2.56	19.11	17.26	10.99
Return on equity (ROE) <sup>3</sup>	2.02	2.07	21.74	21.40	12.50
Return on assets (ROA) <sup>4</sup>	1.69	1.75	17.61	14.70	9.00
Added value per employee <sup>5</sup>	66,311	63,199	130,772	106,181	78,729
<b>NUMBER OF EMPLOYEES</b>					
End of year/period	712	766	775	793	824

\* The estimate is based on the values already realised for months I to IX and assumptions on the evolution of the variables until the end of the year. It was drawn up in the period October-November.

<sup>1</sup> The difference between operating income and expenses.

<sup>2</sup> The difference between operating income and expenses increased by depreciation. It reflects the performance of the business.

<sup>3</sup> Net profit/average equity position over the period. The indicator reflects the effectiveness of the company in generating a net profit or loss in relation to equity. Return on equity is also an indicator of management's performance in increasing the value of the company for its owners.

<sup>4</sup> Net profit/average assets position over the period. The indicator reflects the effectiveness of the company in generating a net profit or loss in relation to assets. Return on assets is also an indicator of management's performance in using assets to generate profits.

<sup>5</sup> Operating profit increased by depreciation and labour costs, divided by the average number of employees after hours counted. A productivity indicator that reflects what the average newly created value per employee in Cinkarna is.

## Note

The document and its components relate to the future operations and financial position of the company. The document is based on the current state, estimates and analyses as well as on assumptions, projections and forecasts made by relevant institutions and industry analysts. The document also contains the views, expectations and conclusions of the Management Board, in areas that are objectively outside the sphere of influence of the company and the Management Board. Forecasts and projections of the company's future performance and financial position are therefore subject to a range of uncertainties and risks that the assumptions, as well as the projections themselves, will be realised. The Company and the Management Board do not accept any responsibility for the extent, content or degree to which the above assumptions, baselines and resulting forecasts will be realised. Neither the Company nor the Management Board undertakes to adjust or revise the forecasts and plans from year to year whenever there are changes in the assumptions or the bases and fundamentals of those forecasts and plans.

**CINKARNA CELJE, d. d.**

**Management Board**