

Summary of the Business Plan for 2022 with an Estimate of 2021 Operations

Celje, 26 November 2021

Business Plan for 2022

Accounting and financial budgeting, which forms the key elements of the 2022 Plan presented below, is performed taking into account the basic qualitative characteristics of business information: comprehensibility, relevance, reliability (caution) and comparability. The following text represents an assessment of the future operating conditions and estimate of operating performance that is based on the currently available set of internal and external information, which is why it should be understood as a forecast that inexorably carries with it a logical and expected level of uncertainty. When compiling the Plan, we observed the IAS recommendations and guidelines.

The 2021 financial year was again marked by a departure from normalcy due to the global epidemiological situation. We minimize the impact on operations by taking rapid and effective action. Factors where our influence is limited continue to be present in global trade, namely the expansion of pigment capacity in China. The current demand for pigment on the mentioned market is at a high level due to higher domestic demand and export-transport costs. The year 2021 was marked by a significant increase in demand and a consequent increase in pigment sales prices. Towards the end of the nine-month period, the market for raw materials and energy surged, and the volatility resulting from the latter could have a significant impact on the sales and purchasing sides of industrial products and, along the chain, also on end users. On the supply side, we expect pressures to increase the prices of titanium-bearing raw materials. The adjustment of sales prices and purchase prices of key raw materials will have the effect of moderating the growth of margins (profit rates) from operations. Based on the nine-month results and projections until the end of the year, we conclude that the Company will exceed the set profit plan for 2021. Inter-industry comparisons also clearly show that Cinkarna Celje, d. d. remains among the most successful companies in the titanium dioxide pigment industry at the end of 2021.

Based on the above description of conditions in the flagship activity, the Company is entering 2022 with a great deal of optimism, but also caution. The profitability plan for 2022 exceeds the forecasts in the medium-term development strategy for the mentioned period. Pigment stocks at producers and buyers are dwindling rapidly, levels are expected to normalize next year. In view of the above, we expect demand to stabilise.

Taking into account the current market conditions, forecasts regarding the situation in the titanium dioxide industry and projections of macroeconomic conditions in the global economy, we have set a plan for 2022, which we believe to be realistic. The most important highlights of the business policy built into the plan are as follows:

- The margin will stabilize at a slightly lower level, in uncertain macroeconomic conditions in 2022 we will focus on maximizing the physical volume of business as well as improving the sales structure and thus achieving full utilization of available company resources. When it comes to titanium dioxide pigment, we will continuously allocate a flexible part of sales volumes to the most profitable markets, and will at the same time make sure to maintain and increase market shares in the most profitable European markets. A similar strategy, with an additional emphasis on increasing the placement volume, will be pursued in other

main products, especially copper fungicides, powder coatings and masterbatches. Our plan for all three programmes is to enter new markets and develop existing markets.

- We will continue with the strategy of allocating potentials or resources to the most profitable and most promising areas and programmes. Over the course of next year, we will make most of the investments aimed at raising quality, improving operational safety and increasing the production capacity of titanium dioxide pigment.
- Achieving a higher average level of pigment sales prices is one of the goals. With this in mind, we also plan to improve sales by increasing the quantities of pigment sold. The situation on the pigment market will be stable.
- In the Metallurgy programme, we are continuing our efforts to adjust sales prices and lower operating costs. In the event that we fail to ensure positive operations in this way, we will continue to phase out the programme.
- We expect an increase in raw material and energy prices.
- The area of key raw materials purchasing remains extremely important in 2022 as well. We expect an increase in the purchase prices of titanium-bearing raw materials. The bargaining power of suppliers remains extremely high, mainly due to low competitiveness or a low number of suppliers on the titanium-bearing raw materials markets. We will continuously develop solutions that will be optimal in terms of operational safety and costs. The activities relate to the search for (testing and validation) new raw material sources, the optimization of the raw material mix, the development of cooperation with existing suppliers and the development of new purchasing channels.
- We will remain traditionally conservative in the area of financing and cash management. In 2022, our investment scope plan will correspond to the average from prior years. Investments will be made in individual programmes subject to requirements, their ability and potential. Inventories of raw materials and supplies will be at normal levels. The volume of receivables will be at the level of 2021.
- We estimate that the Company's operating performance will be good in 2022, but still below the 2021 level.

Below, we provide the key external assumptions and determinants of the 2022 Business Plan. The set of the most important factors relates to the Company's environment at the global, regional and local levels. The most important concrete determinants are therefore as follows:

- The reference exchange rate of the USD is USD 1.15 per EUR; the key and reference interest rates remain roughly unchanged; the price per barrel of oil will be at the level of USD 61.
- In line with current expectations, economic growth rates in 2022 will logically exceed those achieved in 2021, specifically the forecasts for the dynamics of the GDP of key economies are as follows (estimate 2020 > forecast 2021): world 4.8% > 3.8%, EU 4.9% > 4.3%, Germany 2.9% > 4.4%, France 6.0% > 3.6%, Russia 4.7% > 3.0%, China 7.7% > 5.4%, USA 5.7% > 4.8% and Japan 2.7% > 3.6%.
- The political / security situation in Europe, the Middle East and Ukraine will not change or deteriorate significantly.

Social cohesion, general security / stability and the functioning of the economic system in Slovenia will remain within the normative frameworks that ensure the uninterrupted operation of economic operators.

The operations of other programmes were planned traditionally conservatively. We expect the value of the operations of all production Bus to increase. Higher sales values are the result of the higher stock exchange prices of input raw materials (copper and zinc), as well as the incorporation of higher prices of energy products and some other materials into our own prices. In parallel, we are planning higher sales volumes, mainly on foreign markets. The sales plan for elastomers,

thermoplastics and STEM systems of the Polymers unit, which is linked to the scope of the regional investment activity in the petrochemical sector, will be in line with the expected increase in the scope of investment activity to above the 2021 level.

In line with expectations and cycles in the industry, we will achieve **EUR 204 million worth of sales revenues in 2022. Sales on foreign markets** will reach **EUR 187 million** in 2022.

The planned **net profit** or loss for 2022 amounts to **EUR 20.1 million of net profit**. The current estimate of the profit or loss for 2021 is the expected EUR 27.1 million of net profit, which includes EUR 2.6 million of additionally set aside environmental provisions for ONOB, which reduces the profit for Q4 of the year in question. We are therefore talking about a 26% drop in net profit, which is a direct result of the decrease in the sales prices of titanium dioxide pigment and the increase in the prices of strategic raw materials and energy products. The expected share of operating profit, increased by write-downs, in the revenues (EBITDA margin) is at the level of 19%.

Investments will be made in individual programmes subject to requirements, their ability and potential as well as in line with the five-year strategic plan. We will invest mainly in projects aimed at eliminating bottlenecks, increasing energy efficiency, reducing negative impacts on the environment and improving the conditions for safety and health at work. The largest share of invested funds will be allocated to the production of titanium dioxide.

The planned amount of investments in non-current assets is at the same level as in 2021 and amounts to EUR 14.2 million. The said amount does not include EUR 2.4 million planned for the use of environmental provisions (maintenance works at the Bukovžlak and Za Travnik locations, rehabilitation of the ONOB).

We will focus our development activities primarily on ensuring conditions for achieving production quantities limited by the Environmental Permit, improving the quality of products according to customer expectations, developing individual products to complete the range of products according to market requirements and on sustainable development tasks (reducing waste volumes, more rational use of resources).

We will devote special attention in 2022 to ensuring the material and social security of employees and their safety at work. We will adopt and pursue a policy and strategy in this area in cooperation, consultation and agreement with employees, their representatives and trade unions.

All estimated values for 2021, which are stated in the Business Plan below (and in the introduction), as well as comparisons of and relations between the planned values with those from the previous year, refer to the assessment of operations and business performance of Cinkarna Celje, d. d. in 2021. The estimate is based on the values already realized in the January to September 2021 period and realistic assumptions about the movement of variables by the end of the year.

Company's Management Board

Overview of the Most Important Data

	ESTIMATE 2021*	PLAN 2022	IND Pl.22/Oct.21
Sales	191,197,002	203,961,539	107
Exports	174,526,452	187,053,260	107
Operating profit or loss (EBIT)	32,350,511	25,239,327	78
Operating profit or loss + write-downs (EBITDA)	45,138,639	39,219,306	87
Net profit or loss	27,071,604	20,137,558	74
Revenues	194,406,063	210,159,190	108
Expenses	162,178,045	184,984,863	114
Labour cost	28,229,952	29,389,208	104
Added value	73,368,590	68,608,515	94
Added value per employee	95,907	91,058	95
Production in equivalent units (EE)	51,322,513	53,424,756	104
Assets	223,656,770	221,952,639	98
Equity	183,161,497	185,856,112	101
Investments	10,604,733	14,229,490	134
Financial debt	79,000	80,000	101
Return on equity (ROE)	17,4	12,52	72
Number of employees at end of period	797	791	99

*The estimate is derived from the realised values of items I-IX and the assumptions on the changes in variables by the end of the year. It was prepared in October-November period.

Note

The document and its components relate to the Company's future operations and the future financial position. The document is based on the current state-of-affairs, estimates, analyses as well as assumptions, predictions and forecasts of relevant institutions and industry analysts. The document also contains the views, expectations and conclusions of the Management Board, which are areas that are objectively outside the Company's and Management Board's control. Forecasts and plans for the Company's future operations and financial position are therefore associated with a number of uncertainties and risks to the realisation of assumptions as well as the plans themselves. The Company and the Management Board assume no responsibility for the scope, content and level of realisation of the aforementioned assumptions, starting points and consequent forecasts. The Company and the Management Board also undertake no obligation of year-on-year adjustment and correction of forecasts and plans in the event of any changes in the assumptions or bases and the background for these forecasts and plans in the event of changes in the assumptions or bases and background of these forecasts and plans.

CINKARNA CELJE, d.d.

MANAGEMENT BOARD