Summary of the 2025 Business Plan and Performance Assessment for 2024

Celje, 29 November 2024

2025 Business Plan

Accounting and financial budgeting, which provide the key elements of the plan outlined below, are based on the fundamental qualitative characteristics of business information: understandability, relevance, reliability (prudence), and comparability. This document represents an estimate of future business conditions and performance, based on currently available external and internal information. As a result, it should be treated as a forecast, with an expected degree of uncertainty. In preparing the financial statements, we have followed the recommendations and guidelines set forth in the standards.

We took swift and effective action to minimise the impact on our business in 2024. In the middle of the year, the European Commission introduced temporary measures on pigments of Chinese origin. As a result, demand for European pigments grew. Selling prices for pigments in the European market increased in the second and third quarters and stabilised in the fourth quarter.

Taking into account current market trends, forecasts for the titanium dioxide industry, and projections for macroeconomic conditions globally, we have outlined the 2025 plan. The key highlights of the business policy embedded in the plan are as follows:

- The margin will be slightly lower than in 2024 due to higher material costs. Irrespective of market conditions, we will continue to focus on maximising production capacity utilisation and improving the sales structure. In titanium dioxide pigments, we will continue to allocate the flexible part of sales volumes to the most profitable markets, especially those that are or will be protected by tariffs. A similar strategy, with an additional focus on maintaining volume distribution and protecting sales margins, will also be pursued in other flagship product areas.
- We will continue with the strategy of allocating potentials or resources to the most profitable and promising areas and programs. In the next year, we will carry out most of the investments in the area of improving quality, improving operational safety and increasing the production capacity of titanium dioxide pigment production. We will place special emphasis on sustainable development and energy efficiency of the company.
- The achievement of similar or slightly lower average sales price levels than the average pigment sales price achieved in 2024 is taken into account, with a slightly higher level of volume sales.
- The planned production of the main product will be 10% higher than the estimated production for 2024.
- Given the situation on the energy markets in previous years, we expect slightly higher energy prices (mainly natural gas) in 2025 than in 2024.
- The area of procurement of key raw materials remains extremely important in 2025. We expect the purchase prices of titanium-bearing raw materials to stabilize at slightly lower levels and certain raw materials at higher levels than we achieved in 2024. The bargaining power of suppliers remains high, mainly due to low competitiveness or the low number of providers in the titanium-bearing raw materials markets. We will continuously develop solutions that will be optimal in terms of operational safety and costs. Activities relate to the search (testing and validating) of new raw material sources, optimizing the raw material mix, developing cooperation with existing suppliers and developing new procurement routes. However, we expect higher purchase prices of supporting process chemicals.
- We will traditionally be conservative in the area of financing and cash management. In 2025, we plan an investment volume that exceeds the average of previous years. Investments will be made according to individual programs according to needs, their capabilities and prospects. Inventories

of material and raw materials will be lower compared to the comparative previous year. The volume of receivables will be at the level of 2024.

- We do not plan to use external sources of financing in 2025.
- In accordance with the dividend policy, we plan to pay out 50% of the net profit of the previous year as dividends.

The key external assumptions and determinants of the 2025 business plan are outlined below. These factors relate to the business environment at global, regional and local levels. The specific determinants are:

- The reference exchange rate for the US dollar will be $1.06 to the euro, and key and reference interest rates will remain broadly unchanged. The price of a barrel of oil will be around $75.
- In line with current expectations, economic growth rates in 2025 are projected to be mostly higher than in 2024. Specifically, GDP growth forecasts for the major economies are as follows (2024 estimate > 2025 forecast) World 3.1% > 3.2%, Europe 1.0% > 1.6%, Germany 0.1% > 1.0%, France 0.7% > 1.3%, Russia 2.9% > 1.7%, China 4.8% > 4.6% and the US 2.4% > 2.1%.
- The political/security situation in Europe, the Middle East and Ukraine will remain tense.
- Social cohesion, general security/stability and the functioning of the economic system in Slovenia will remain within a normative framework that ensures the smooth operation of businesses.

In 2025, in line with expectations and industry cycles, we aim to achieve sales of EUR 206.3 million. The planned net profit for 2025 is EUR 15.3 million. The lower net profit is due to high procurement prices. The expected operating margin plus depreciation (EBITDA margin) is expected to reach 16%.

Investments will be made in individual programmes based on demand, capacity and potential. We will primarily invest in projects to eliminate bottlenecks, increase energy efficiency, reduce negative environmental impacts and improve workplace safety and health. Most of the investment will be in titanium dioxide production.

Our research and development activities will focus mainly on ensuring conditions for achieving the production volumes limited by the environmental permit, improving product quality in line with customer expectations, developing individual products to expand our offering based on market demand, and tasks related to sustainable development (reducing waste, more efficient use of resources).

We will pursue a motivating salary policy. Particular attention will be paid to the material and social security of employees and their safe working conditions. Our flexible labour cost policy will be adapted to expectations of business performance, inflation, economic conditions and the provisions of the Company's collective agreement and the Employment Relationships Act (ZDR). Management, together with the trade unions and employee representatives, will pursue an incentive-based remuneration policy to neutralise the effects of inflation and ensure the long-term stability of the Company.

All estimated values mentioned in the business plan, as well as comparisons and ratios of planned values to the previous year, are based on an assessment of the business development of Cinkarna Celje, d.d., for the current year. The estimate is based on the actual values realised in the first nine months of the current year and realistic assumptions about the development of variables until the end of the year.

Management Board of the Company

Overview of the most important data

BUSINESS PERFORMANCE in EUR 000	Plan 2025	Estimate 2024	2023	2022	2021
Sales revenues	206,324	201,515	176,464	227,153	192,462
Operating profit (EBIT)[1]	19,289	23,436	12,723	53,176	39,977
Operating profit increased by depreciation (EBITDA)[2]	33,811	36,717	25,078	65,326	51,258
Net profit or loss	15,271	19,112	12,653	43,396	33,227
Non-current assets (end of period)	124,464	119,425	114,523	108,560	110,512
Current assets (end of period)	121,884	129,553	145,393	142,388	131,373
Capital (end of period)	211,010	207,301	221,230	209,010	190,166
Non-current liabilities (end of period)	15,482	17,992	18,844	18,832	23,273
Current liabilities (end of period)	19,856	23,685	19,841	23,106	28,446
Investments	19,837	16,107	19,825	10,547	11,325
INDICATORS					
EBIT as a percentage of sales revenues	9.35	11.63	7.21	23.41	20.77
EBITDA as a percentage of sales revenues	16.39	18.22	14.21	28.76	26.63
Return on sales (ROS)	7.40	9.48	7.17	19.10	17.26
Return on equity (ROE)[3]	7.30	8.18	5.88	21.74	21.40
Return on assets (ROA)[4]	6.17	15.35	4.95	17.61	14.70
Added value per employee[5]	92,256	95,947	80,305	131,431	106,181
NUMBER OF EMPLOYEES					
End of year/period	730	734	742	775	793

* The estimate is based on the actual values realised from January to September, as well as assumptions about the evolution of the variables until the end of the year. It was prepared during the period October-November.

Disclaimer

This document and its components relate to the future performance and financial position of the Company. It is based on current conditions, estimates, analyses and assumptions as well as forecasts and projections of relevant institutions and industry analysts. It also includes the beliefs, expectations and conclusions of the Management Board regarding matters that are objectively beyond the control of the Company and the Management Board. As a result, the forecasts and plans relating to the Company's future performance and financial position are subject to various uncertainties and risks relating to the materialisation of the assumptions and the plans themselves. The Company and management assume no responsibility for the scope, content or degree of realisation of the aforementioned assumptions and premises as well as the subsequent forecasts. In addition, the Company and management undertake no obligation to update or revise these forecasts and plans during the year if there are changes in the assumptions or underlying basis of these forecasts and plans.

[1] The difference between operating income and operating expenditure.
[2] The difference between operating income and operating expenditure, increased by depreciation. It reflects the operating performance.
[3] Net profit/average equity during the period: This indicator reflects the Company's effectiveness in generating net profit relative to its equity. Return on equity is also an indicator of the management's performance in increasing the Company's value for its shareholders.
[4] Net profit/average assets during the period: This indicator reflects the Company's effectiveness in generating net profit relative to its assets. Return on assets is also an indicator of the management's performance in using assets efficiently to generate profit.
[5] Operating result, increased by depreciation and labour costs, divided by the average number of employees (calculated in man-hours): A productivity indicator that reflects the average newly created value per employee in Cinkarna.