Corporate Strategy 2022-2024

Warsaw, May 18th 2022

Our Vision: We are future-proof and modern chemical holding, that generates value for its stakeholders

Soda: transform around four pillars: improving **cost advantage**, delivering **energy transformation**, strengthening **strategic capabilities** and maximizing **Sobic value**

Salt: priority on **Stassfurt production ramp-up** and **volume commercialization**

Agro: expand **innovative product offering** to enable long-term growth

Other: further optimize to **assure resilient cashflow** generation

H&S: Clear goal and commitment to **reduce accident frequency by 30%**

Innovation: **Foster innovation** to deliver clear value for customers

HR: strengthen **performance culture** and **attract talents**

Organization: Reflect **strategic pillars** in **organization structure**

Clients: **Sustainable product offering** with innovation assuring long term value for customers

Employees: **Safe** and **engaging work environment**

Investors: Build an asset that produces **stable dividend**

Stakeholders: Clear value defined

In this strategy we put safety first to become industry leader and fully commit to reduce accident frequency by 30% until 2024

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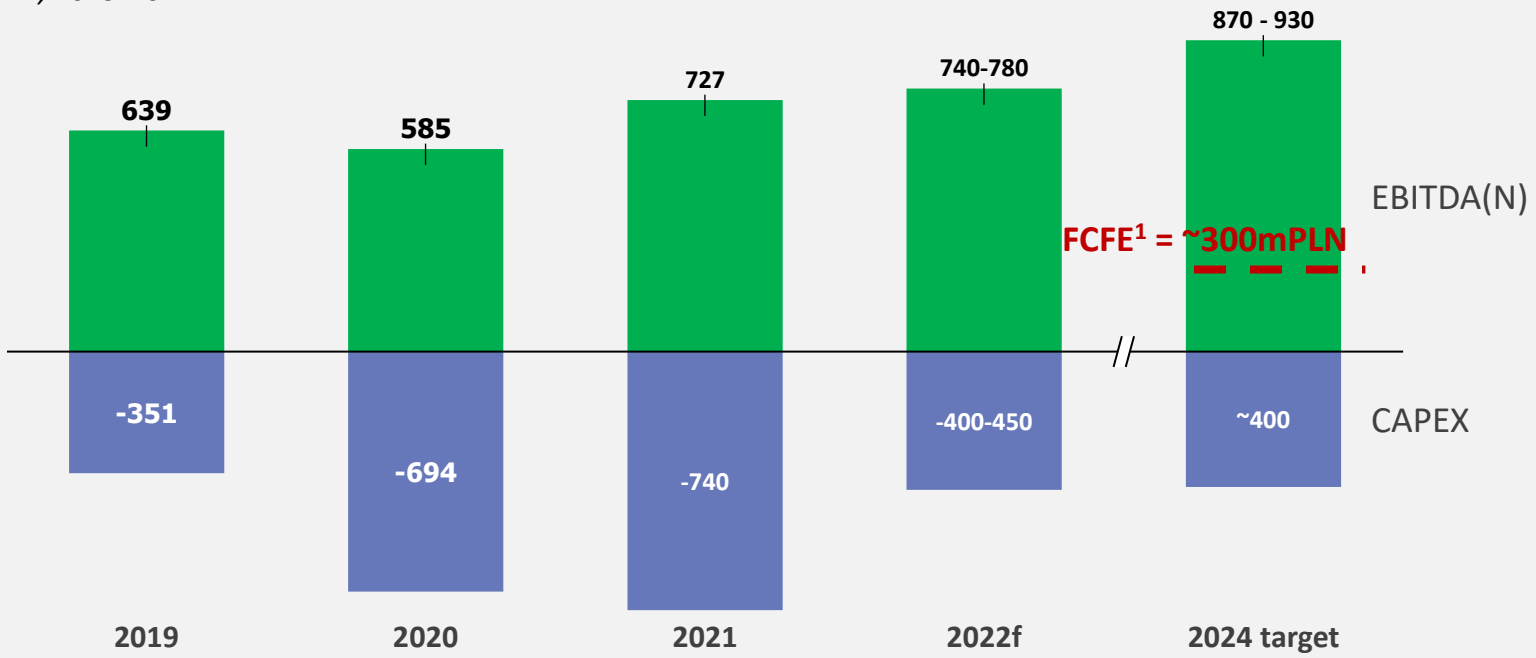
CEO of Ciech	**COO of Ciech**	**CFO of Ciech**

Financial targets for this Strategy

FCFE presents theoretical dividend capacity[1]

mPLN, 2019-2024



1. Assuming debt roll over and gradual deleveraging thanks to EBITDA expansion

Stabilized business and streamlined organization in place

Focus on cash generation and build-up of dividend capacity

No large CAPEX development projects on the horizon

Energy transformation financed in a partnership model[2]

M&As considered only if bringing unique strategic opportunity

2. Assumes no or limited CAPEX

EBITDA(N) in 2024

870-930 mPLN

Cash Conversion in 2024

~30-35%

Cumulated FCFE 2022-2024

580-680 mPLN

Point of departure for this Strategy

- **Solid financials** and resilient balance sheet
- Restructured and **streamlined organization**
- Promising pipeline of smart **M&A options**
- Challenging and **uncertain environment**
- **Corporate culture change ongoing**, talents being acquired

2021

Point of arrival for this Strategy

- **Future-proof businesses** ready to meet requirements of the changing business environment
- **Modern chemical holding** with all required capabilities
- Clear and optimized **value for all the stakeholders**
- **Stable asset** generating **predictable dividend** yield

2024

#1 Point of departure

#2 Point of arrival

Build future-proof business

Develop as a modern chemical company

Optimize value for stakeholders

Where are we now? (I/II)

Business Units

- 2nd largest Soda producer in Europe
- Growing CO_2 cost and high energy prices
- Increased competition threat from Turkish producer
- Operational transformation as a key lever

- Largest vacuum salt producer in CEE
- New production capacity in ramp-up
- Commercialization of add. volume as a key challenge

- Large and fast-growing Crop Protection player in PL
- Owner of innovative BGT product
- Growth via savvy portfolio management and geographical expansion

- Leading PUR foam producer in Poland
- Limited organic growth opportunity
- High margins due to market undersupply in Covid pandemic

- #1 merchant producer in Europe
- Growth due to eco trends and greater silicate admixture into tires
- New production capacity under commercialization

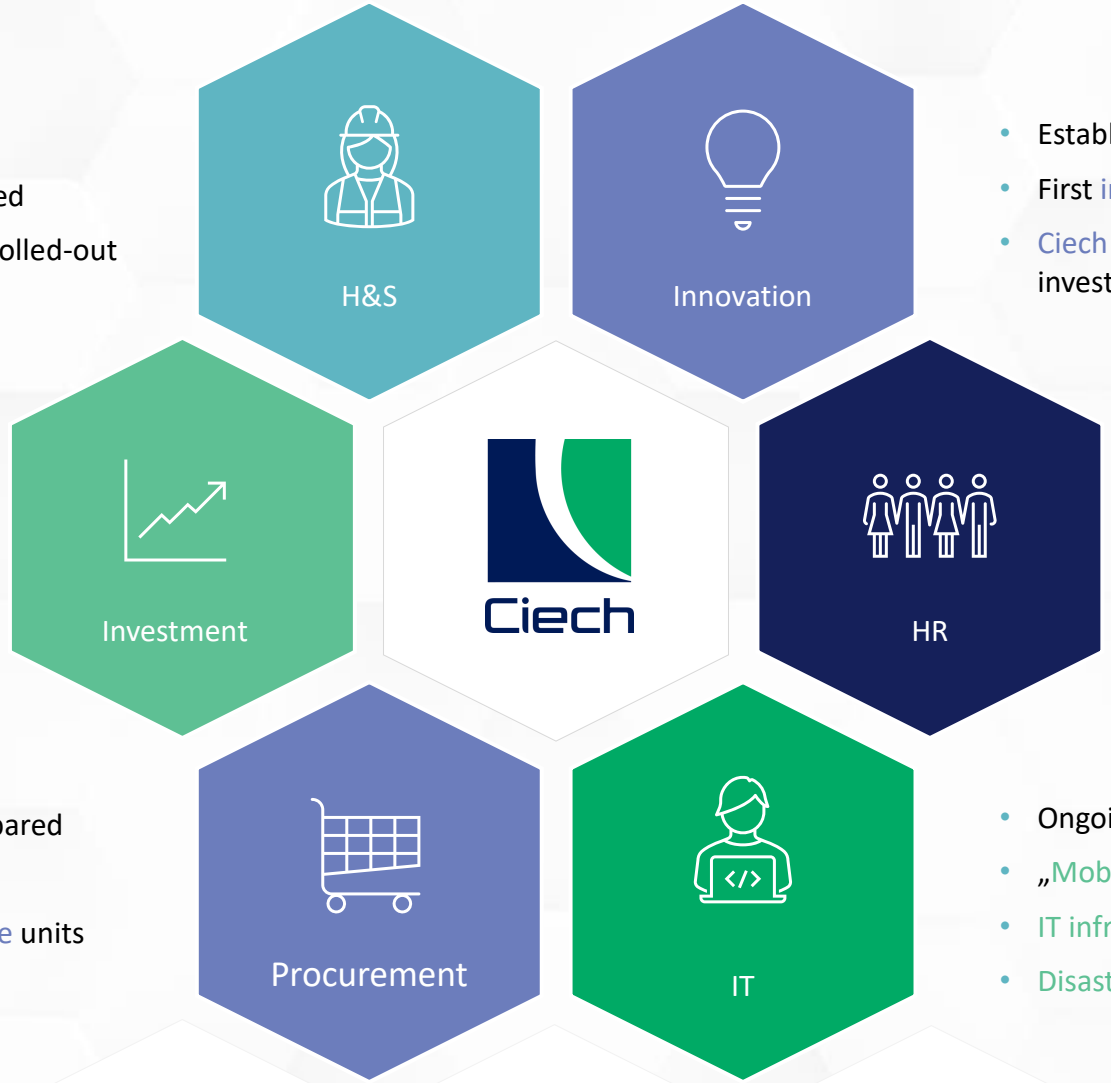
- Top Polish producer of lanterns and glass packaging
- Addressable market expected to slowly decline in the long run

Where are we now? (II/II)

Support Functions

- H&S policies, standards and rules in place
- H&S dashboards, KPIs and goals implemented
- H&S communication and training activities rolled-out

- Established R&D function
- First innovations rolled-out (e.g., Carbonation+)
- Ciech Ventures structure set-up (e.g., Emerald investment)



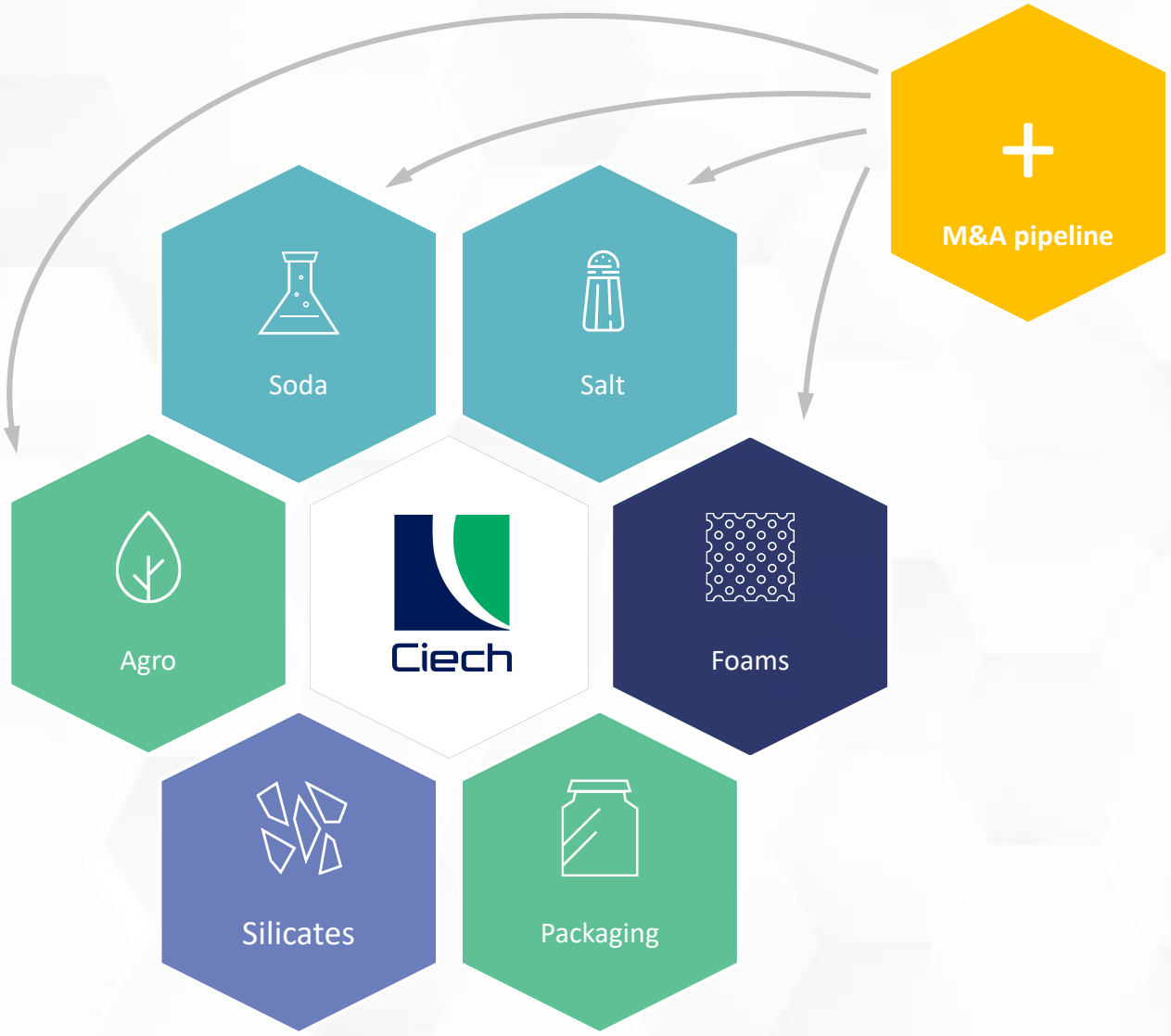
- Standardized CAPEX planning and reporting
- Improved access to managerial data
- Tight control on project approvals

- Corporate culture change initiated
- Competencies models rolled-out
- Transparent remuneration systems
- Performance mngt foundations laid down

- Purchasing strategies and clear process prepared
- Introduced standardized SLA conditions
- Local teams divided in sourcing & back-office units

- Ongoing implementation of lean system architecture
- „Mobilny Obchodowy" implemented
- IT infrastructure modernized
- Disaster Recovery Center created

We carefully analyze M&As opportunities to enhance capabilities and allow leaping growth



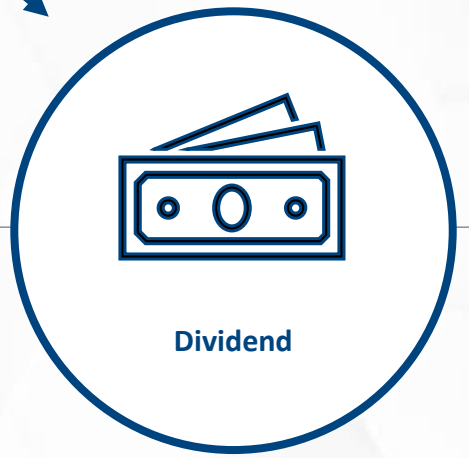
Key considerations for M&A

- Business must relate to one of the core businesses
- Transaction must bring long term strategic benefits not just scale growth
- Target should be a healthy asset on a stand-alone basis
- Out of the pipeline only one closing considered (possibly in 2022)
- Targeting medium to large businesses on developed markets (focus on European and North American assets)
- Fitting into the strategy of building future dividend generating asset

With or without M&A - either way Ciech's goal is to generate dividend for investors

Without M&A

- Stable dividend
- Stable Cash Flow in a volatile environment



With M&A

- Increased dividend capacity
- Utilization of unique value opportunity
- Stronger strategic position
- Geographical diversification

We start in highly volatile and uncertain environment

#1 Point of departure

#2 Point of arrival

Build future-proof business

Develop as a modern chemical company

Optimize value for stakeholders

Build future-proof businesses

Resilient SODA business

SALT ramp up

AGRO on growth trajectory

Leap forward with **smart M&A**

Develop as a modern chemical company

Strengthen **health and safety** as a core corporate value

Performance based, engaging **modern corporate culture**

Innovations paving the way to the future

Optimize value for stakeholders

Assured **Client satisfaction**

Accelerated **ESG transformation**

Optimized cashflow and **shareholders' value creation**

#1 Point of departure

#2 Point of arrival

Build future-proof business

Develop as a modern chemical company

Optimize value for stakeholders

Diversified portfolio requires individual strategic approach to each of the businesses

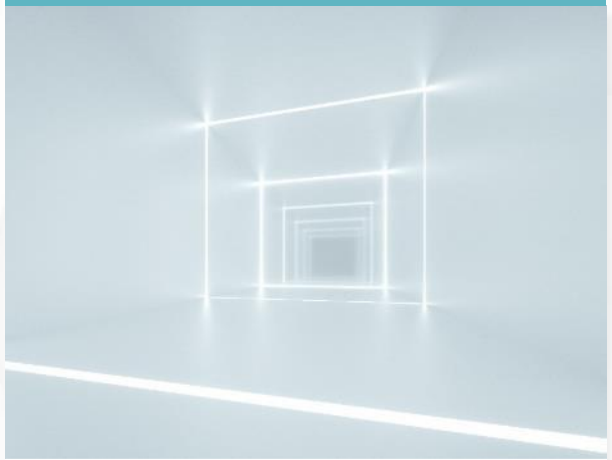
Build future-proof business

Step Up

SALT, SILICATES

Commercialize new production capacity

Transform



SODA, FOAMS, PACKAGING

Continue business optimization to further improve cash flow profile

Accelerate Growth

AGRO

Maintain strong growth in the long-term

Ready for the Future

Supporting Functions

Building up strategic business capabilities

Soda

Salt

Speeding up on the business transformation

Soda business with a window of opportunity to improve competitive positioning

Build future-proof business

3.0 mt

of difference in net import from China between ’21 and ’22

Net import shift in China

- Lower production capacity and increased demand to increase net import of soda ash in China
- Shift on the scale of half of the European market

Reduced competition in Europe

- China will attract volume from key soda ash exporting destinations
- Shift will reduce competitive pressure in Europe

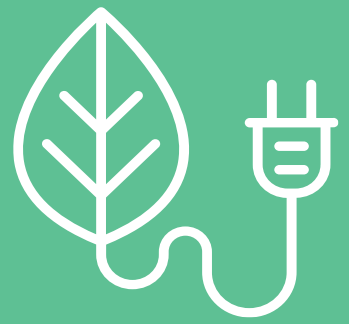
Opportunity to strengthen competitive position

- Focus on operational transformation (e.g., reduce consumables consumption, implement innovative processes, speed-up energy transformation)
- Develop business capabilities and product portfolio to strengthen competitive advantage
- Get ready for the next cyclical downturn

1

Build-up
of cost advantage

2



Energy
transformation

3

Strengthening
strategic capabilities

4

Maximizing value
from SOBIC products

1

Build-up
of cost advantage

Energy efficiency

- Implement **heat recovery systems** to reduce steam consumption
- Balance process parameters to **reduce demand for steam**
- Improve infrastructure to enable **real-time control over electricity consumption**
- **Increase the number of operating turbines** with operational back-up to reduce external purchase of electric energy

Reduced raw material consumption

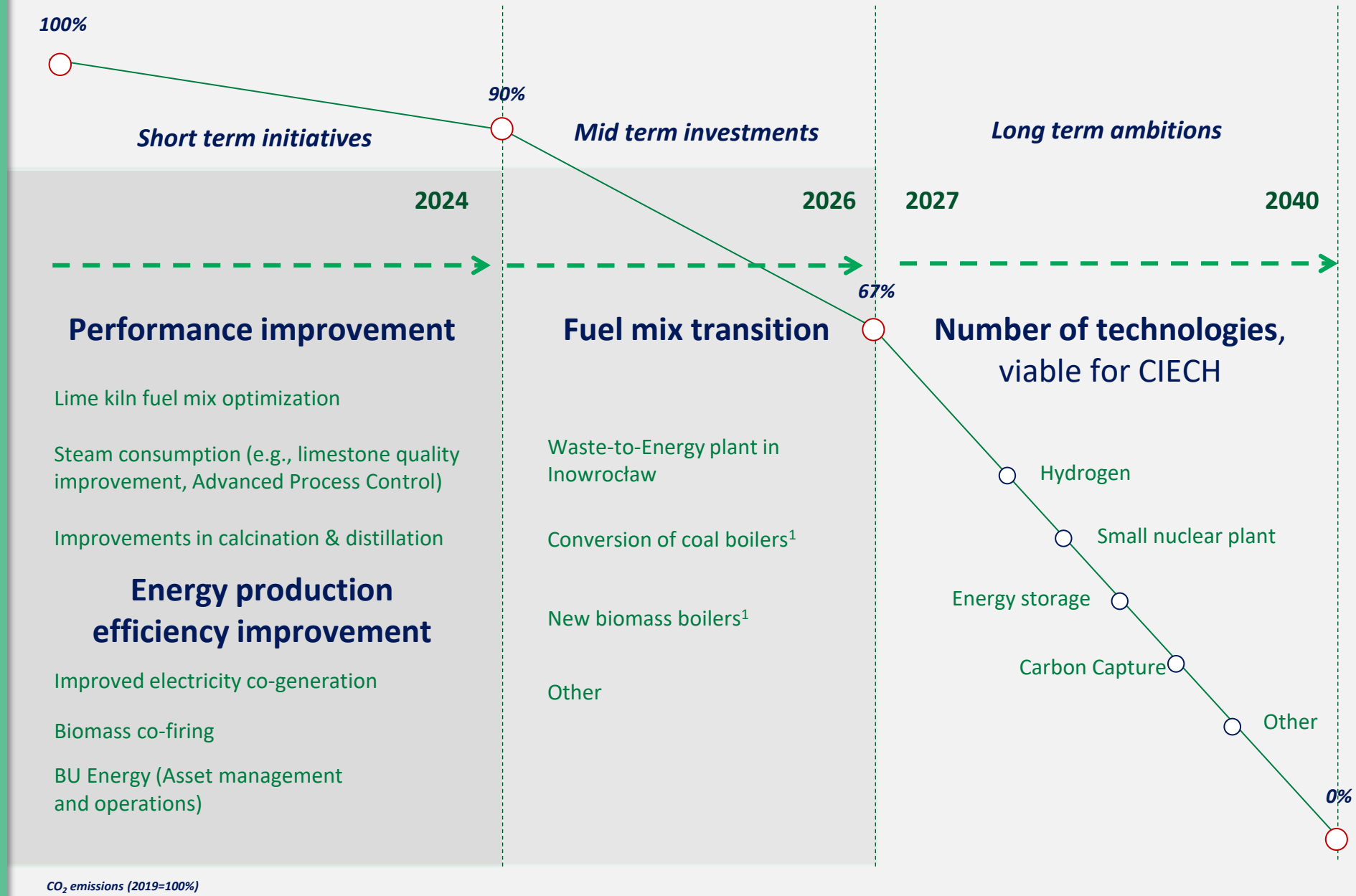
- Work with strategic partners to **improve product parameters** that could **reduce overall raw material consumption**
- Renovate boilers to **increase coal burning efficiency**
- Test **substitutes to expensive raw materials**

Operational excellence and APC

- Strengthen **Lean mindset**
- Implement **additional management techniques** to increase production efficiency (focus on 5S, Gemba)
- Leverage current knowledge on APC in the Group to **automate operational decision making**

2

Energy transformation



CO_2 emissions (2019=100%)

1. Alternative solutions

3

Strengthening strategic capabilities

Strategic capabilities

Performance & CAPEX mngt excellence

Implement best-in-class capital allocation capabilities

Implement an iterative process of measuring and managing performance

Develop engineering capabilities to further optimize CAPEX

Strengthen continues improvement mindset

Market intelligence

Real time information available for decision making (incremental cost of production, stock & capacity management in BI; production flexibility on weekly demand)

Regular market, competitors and clients' 'pulse check' (inhouse analytics engine)

Improving reactions & decisions to competitive moves through robust process and decentralized decisions making

Commercial & pricing excellence

Clear 'Go to market' strategy for each segment

Focus on growth in attractive market niches (e.g., pharma)

More customer-centric approach to sales process (e.g., program to further improve NPS, leverage on CRM)

Products & solutions development

Adapting products & solutions to customer needs (R&D projects, further customization of product's parameters)

Business diversification into new markets and segments, and further improvement of production capacity management

4

Maximizing value
from SOBIC products

- Develop **new product offering** to increase reach on regional markets
- **Intensify marketing** and **increase sales focus** to increase penetration in current segments
- **Directly reach end-users** for high margin specialized Soda applications
- **Expand globally** for high margin products with low importance of geo rent
- **Boost operations** to increase value for customers

Stassfurt plant ramp-up roadmap

Build future-proof business

Stassfurt project

1. Set-up

2019

- Plant core set-up
- Operational excellence in progress
- Confection lines under finalization
- Full fixed costs caried

2. Commercialization

2022 2023

- Build-up of a sales org. and client pipeline
- Entry into Food Grade and Pharma segments
- Production rate ~350-400kt
  - Fully unlock capacity
  - Food grade and pharma confection set-up
- Improve customer service (e.g., logistics) to balance value for money

3. Full steam ahead

2024+

- Full potential utilization
- Optimization of production costs via Lean Manufacturing

Agro

Assuring long term growth

Agro with multi-dimensional strategy to address changing market

Build future-proof business

Key market trends

High EU regulatory pressure to **reduce pesticide usage**

Growing pressure to **optimize crop protection usage via new technologies**

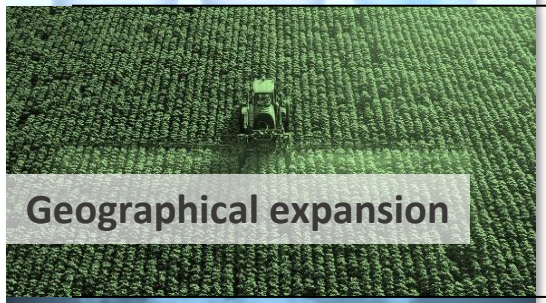
Stable market value, growing in developing countries

CIECH's Strategy

Commercialize **Halvetic**

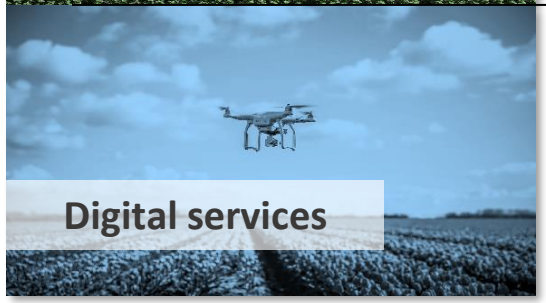
Work on **novel product formulations**

Selective approach to AI's - low regulatory risk



In EU focus on countries with **„catch-up" potential**

Use Halvetic to **establish non-EU presence**



Expand offering in **digital services** based on partnerships

Clear benefit for the clients: reduces Active Ingredient input by 50%

- Lowers health hazard
- Minimizes environmental impact
- Lowers risk of Active Ingredient overdose

Maintained efficacy for growers

- Same product dosing and usage parameters
- Reliability in all water hardness and abiotic stress situations
- Well-know mode of action
- Increases operator ease of use of the ready-made product (includes ammonium sulphate and adjuvants)

Attractive financial performance for CIECH

- Lower business risk vs. R&D products as substituting existing market
- Reduces registration costs as based on existing Active Ingredients

Key risks around BGT

- Difficulty to shift farmers' behavior from high-load to low concentration products in main glyphosate markets (Brazil, Australia)
- Building farmers' awareness of the efficacy of the product
- Regulatory challenges

Foams

Innovations and excellence

- Improve product formulations
- Test sustainable product formulations
- Optimize production planning and reduce waste via advance analytics
- Optimize maintenance cost and time with Industry 4.0 solutions

Silicates

Fully leverage current assets

- Finalize commercialization of the new furnace
- Run operational excellence program
- Develop additional products to drive margin and competitive differentiation

Packaging

Steering towards growing niches

- Develop new segments to diversify from the current mature business
- Modernize production lines to develop cost advantage

#1 Point of departure

#2 Point of arrival

Build future-proof business

Develop as a modern chemical company

Optimize value for stakeholders

Strategic ambitions of support functions

Develop as a modern chemical company

- Build strong and modern H&S team
- Implement ISO certified H&S mngt standard
- Improve infrastructure quality

- Boost BUs bottom-up innovation
- Extend current partner and VC network
- Increase number of internally developed projects

- Expand internal engineering capabilities
- Optimize CAPEX control via digital solutions
- Streamline Capital Allocation process

- Attract talents
- Implement Strategic Workforce Planning
- Strengthen Performance Mngt culture
- Close skills gap (via development program)

- Optimize procurement from non-strategic suppliers
- Develop procurement team
- Implement Material Resource Planning

- Continue company digitalization
- Maximize cloud environment
- Virtualize production systems

We put safety first in this strategy and fully commit to ambitious targets

Develop as a modern chemical company

H&S Ambition:

-30%

in accident frequency by 2024

- Full **senior mngt commitment**
- **Safety culture** supported by **modern H&S team**
- Drive **'safety first' mindset** and actions (e.g., clear KPIs, regular safety inspections by plant managers)
- **5S rollout** across installations
- Implementation of **data driven injury risk management**
- **Infrastructure improvement** projects
- Improved **safety communication** and **training offering**

We have defined clear direction for our R&D projects based on customer needs

Develop as a modern chemical company

Business Unit	Salt	Silicates	Soda	Packaging	Foams	Agro
Customer need	**Maintained quality and service level at a lower cost**			**Developed products offering with higher value proposition**		
Strategic direction for innovation	**Cost position improvement to gain competitive edge**			**Build innovative & sustainable product offering**		
	CO_2 emission reduction Energy recovery Production process redesign	Operational excellence Consumables reduction Circular economy solutions		Novel product formulations Bio and sustainable product offering Circular economy solutions Advanced analytics and digital solutions		

We build innovations on three pillars

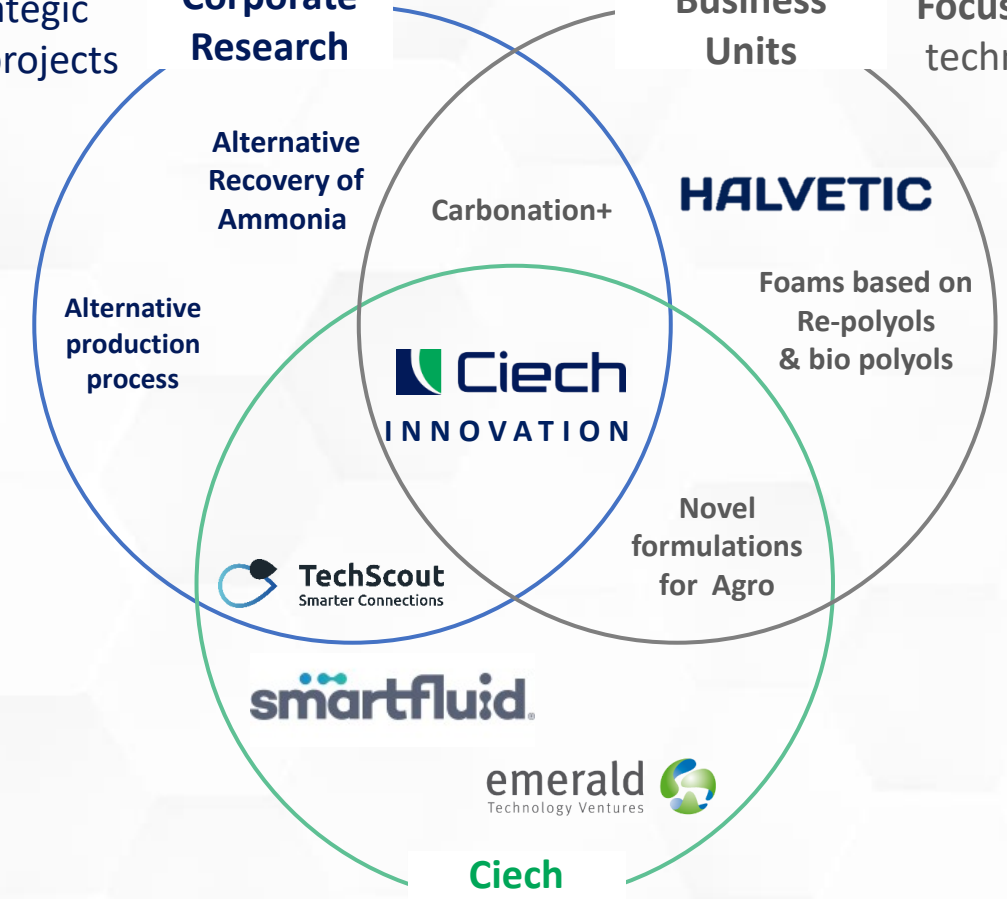
Develop as a modern chemical company

Focus: Strategic innovation projects

Corporate Research

Business Units

Focus: products dev., technical challenges

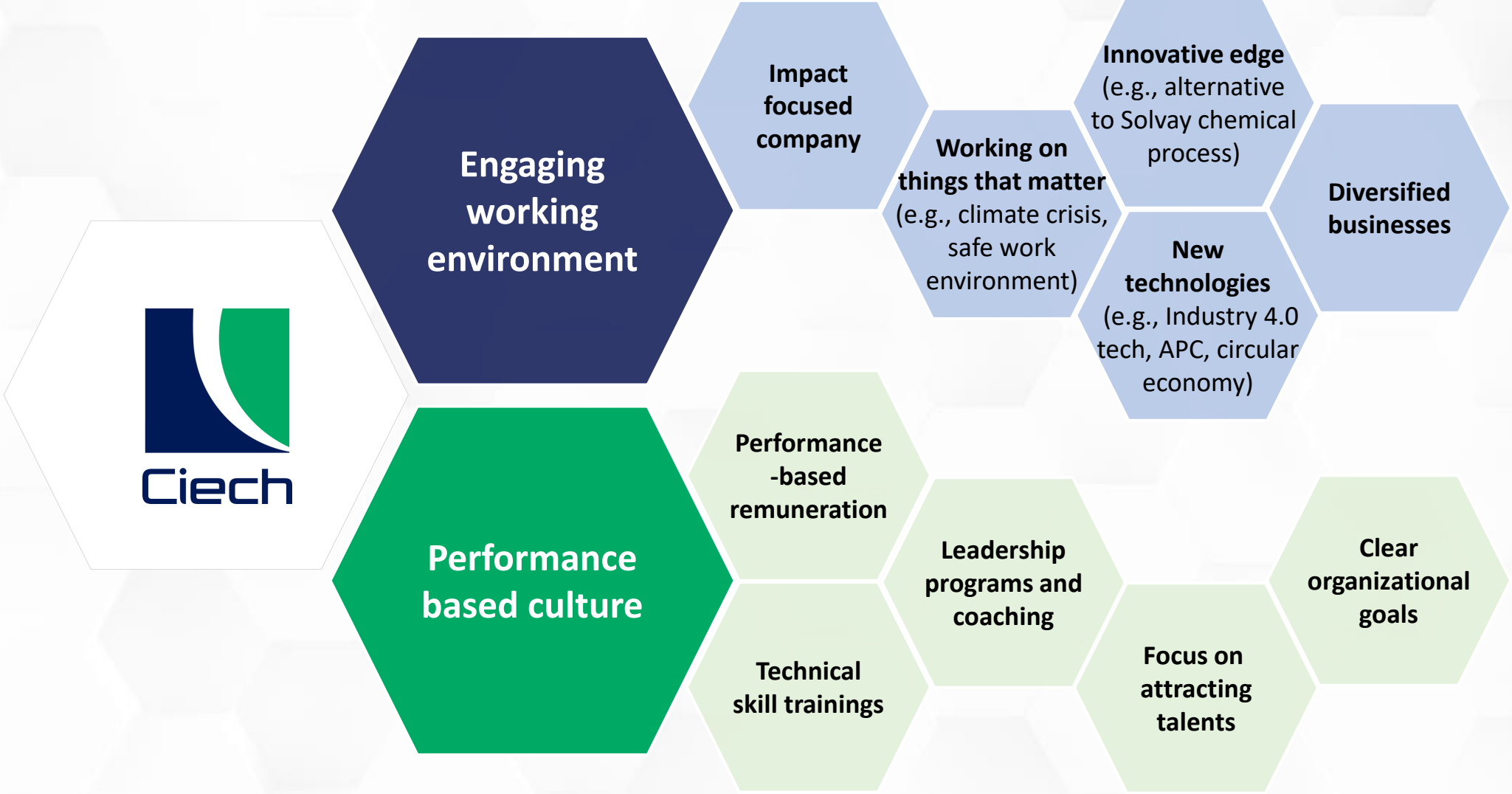


Ciech Ventures

Focus: External innovation

Building engaging, performance-based culture to attract talents

Develop as a modern chemical company



Our vision and strategic priorities are to be reflected in the Group organization and governance

Develop as a modern chemical company

Responsibility	Organization	Performance tracker
Business Units Sales & Customer Service Logistics Plant, H&S, Energy, Plan Manufacturing Process Excellence	Business Units	Yearly KPIs Financial budget
Legal Finance Performance, Culture & HR IT Facilities Shared services	Corporate functions on both HQ and BU level	Realization of development programs
Product and Process Innovation Transformation PMO Strategy, market insights, M&A **Headquarter**	Centers-of-Excellence at HQ level	Strategy realization

#1 Point of departure

#2 Point of arrival

Build future-proof business

Develop as a modern chemical company

Optimize value for stakeholders

We have clear value proposition for client and investors

Optimize value for stakeholders

This Strategy commits to our ESG goals which define our promise to the broader stakeholder group

Optimize value for stakeholders

E

S

G

Our commitments

Selected ESG goals

- **-33% CO_2 emission** by 2026 against 2019 levels
- **Carbon neutrality by 2040**
- **Eliminate coal** by 2033
- Generate **less waste** and consume less raw materials

- We aim for **zero accidents**
- **Eliminate gender pay gap**
- **Pay for performance** culture
- Foster **diversity**

- **Min. 70% of spend with full ESG analysis**
- We **align with the global goals** and targets
- We build a **sustainability culture** across all levels of the organization

For further details please refer to our ESG strategy
https://ciechgroup.com/esg/

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