International Chemical Group

Ciech

Financial results for Q2’22

Warsaw, 25 August 2022

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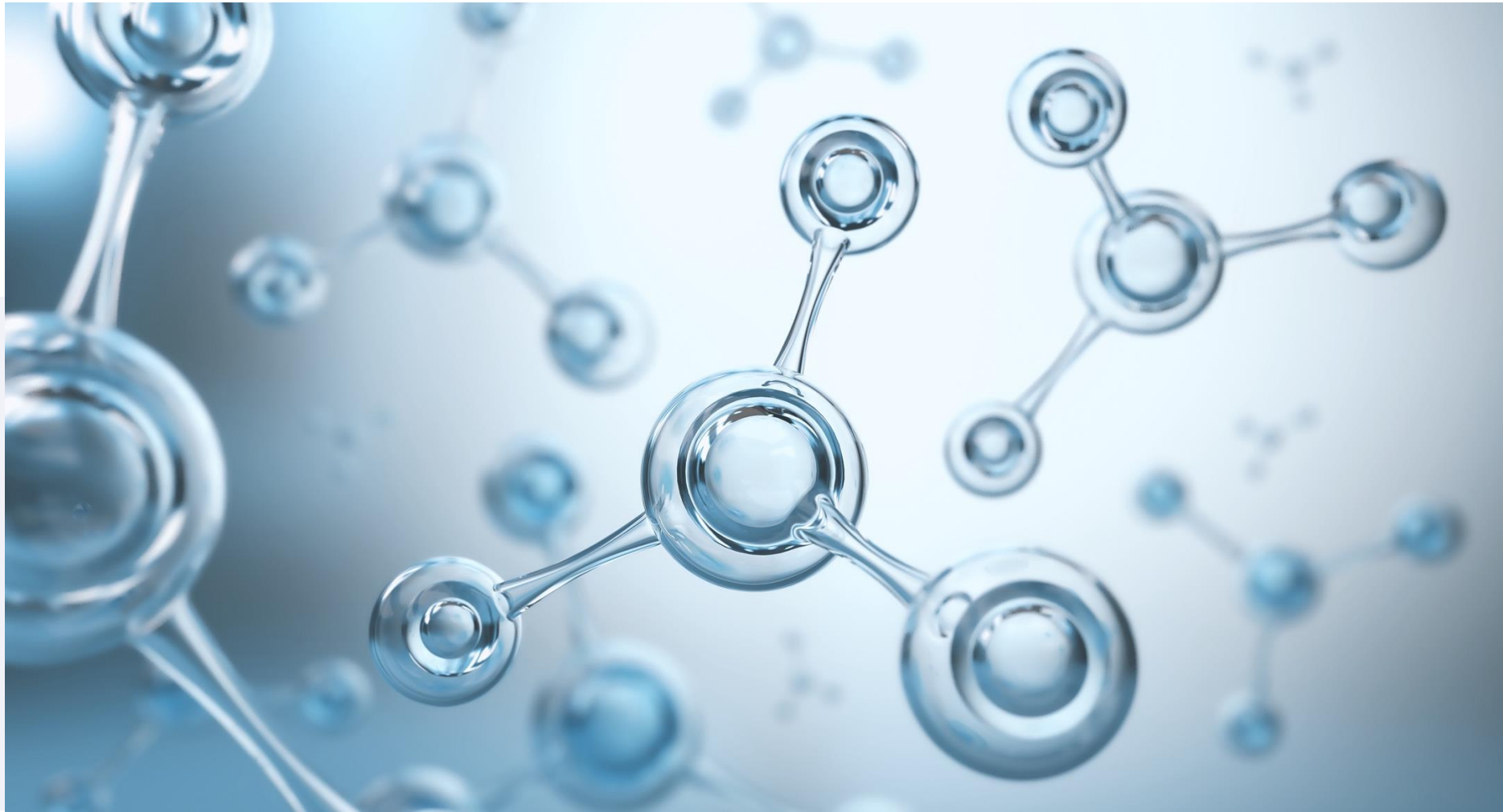
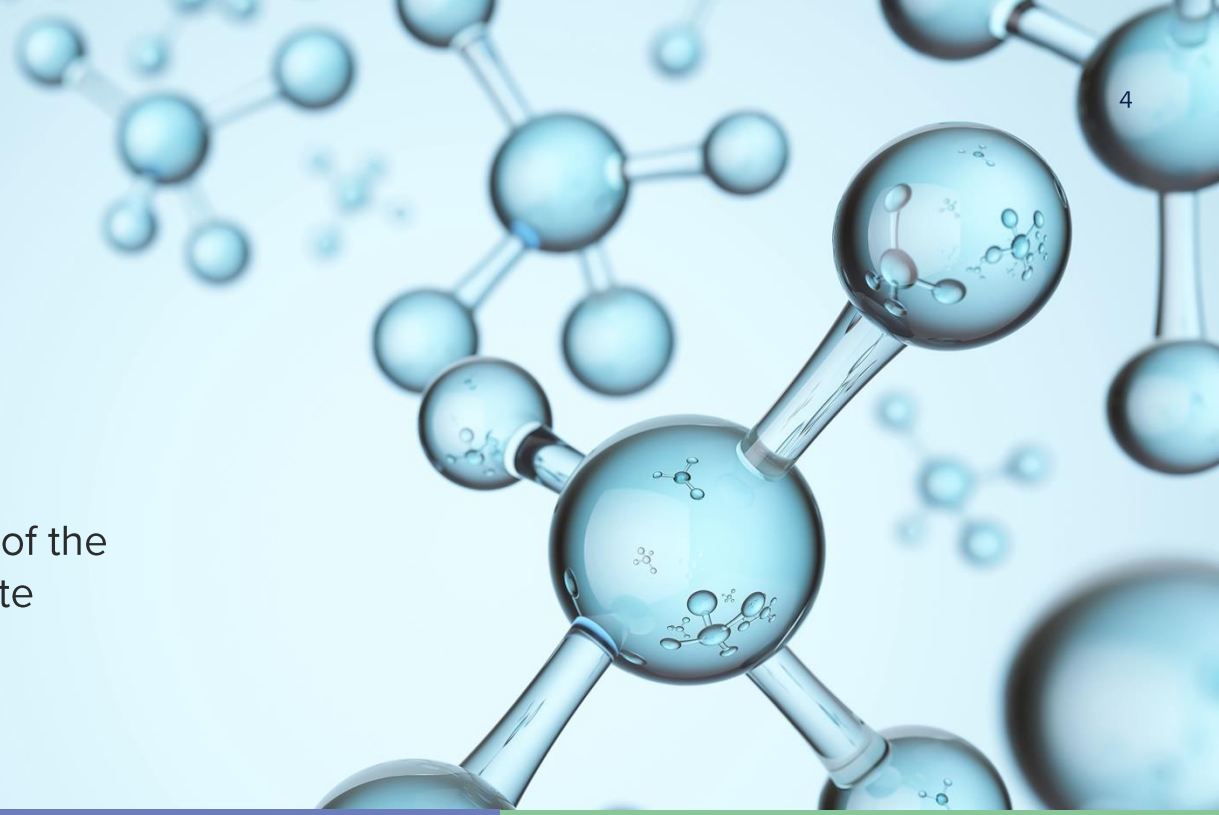
1 Introduction



Successful 1H2022

Geographical and product diversification of the business and efficiency measures translate into good Group performance.



REVENUES

PLN

2,479

M

+46% Y/Y

EBITDA(N)

PLN

431

M

+5% Y/Y

NET REVENUE CONT. IN OP.

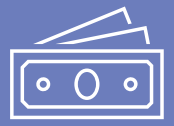
PLN

148

M

+14% y/y

Implementation of 2022-2024 strategy



Decision to pay the dividend

The Management Board's aim is to pay an advance payment for dividend from 2022 profits of PLN 79 m or PLN 1.5 per share, which translates into a gross dividend yield of approximately 4%.

Dividend payment date in December 2022, after publication of audited results for 9M'22.

Optimization of production effectiveness

Full commercialisation of new furnace capacity in the Silicates segment. Commissioning of previously extinguished furnace due to strong demand.

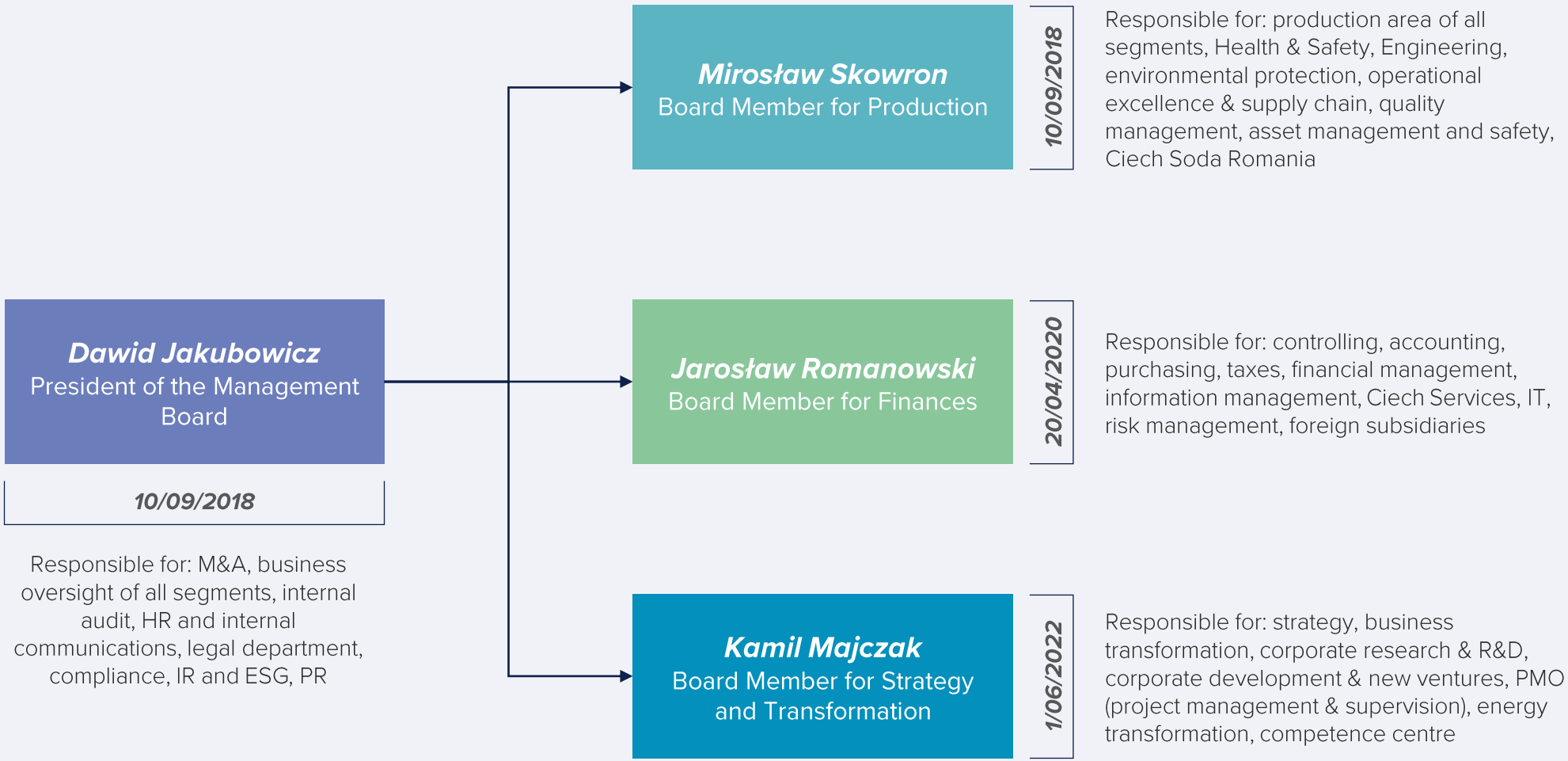
Commencement of projects from the soda plants' strategic energy and process transformation programme.

Focus on ESG issues

Lost Time Injury Factor (LTIF) for H1'22 at 2.8 about 20% better than our strategic target.

EcoVadis silver medal: Ciech Soda Polska, Ciech Soda Deutschland and CIECH Vitrosilicon significantly improved their position in the sustainability rating.

Strengthening the Company's Management Board



Segments results

2

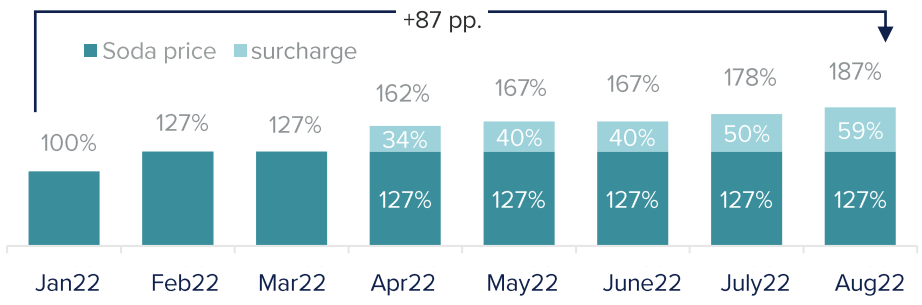
Strong demand for soda in Q2’22

Favourable competitive environment in Q2'22. Demand for soda in global markets significantly higher than supply. Soda supply shortage is also present in Europe, supporting price increases.

Soda ash sales volume +4% y/y (profit maximising) in Q2'22, due to:

- maintaining continuity of supply of energy and production raw materials,
- moving away from full volume contracting, focusing on production profitability.

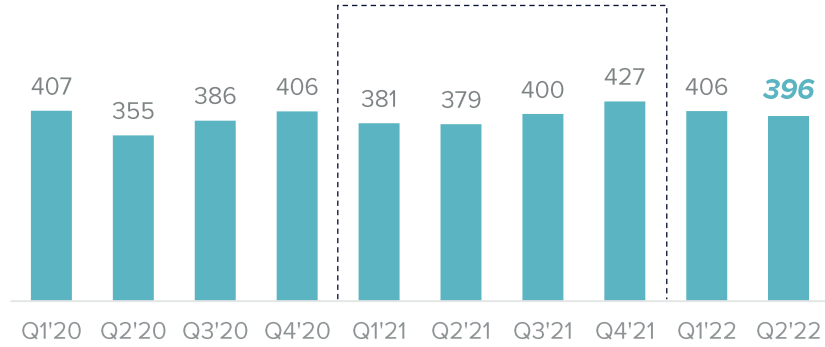
SODA ASH PRICES FOR WESTERN EUROPE (%) 2021 = 100%



Source: Based on reports by Chemical Market Analytics by OPIS (formerly IHS Markit).

PRODUCTION PLANTS IN SODA SEGMENT

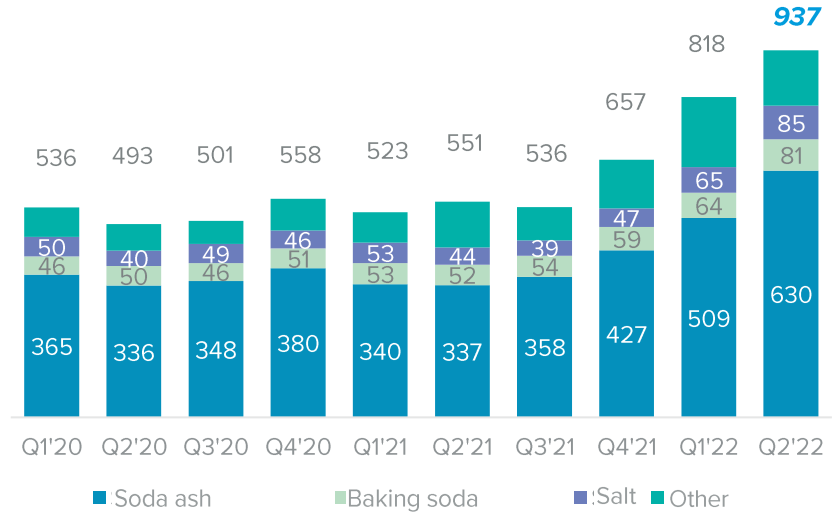
SODA ASH SALES VOLUME (THOUSAND T)



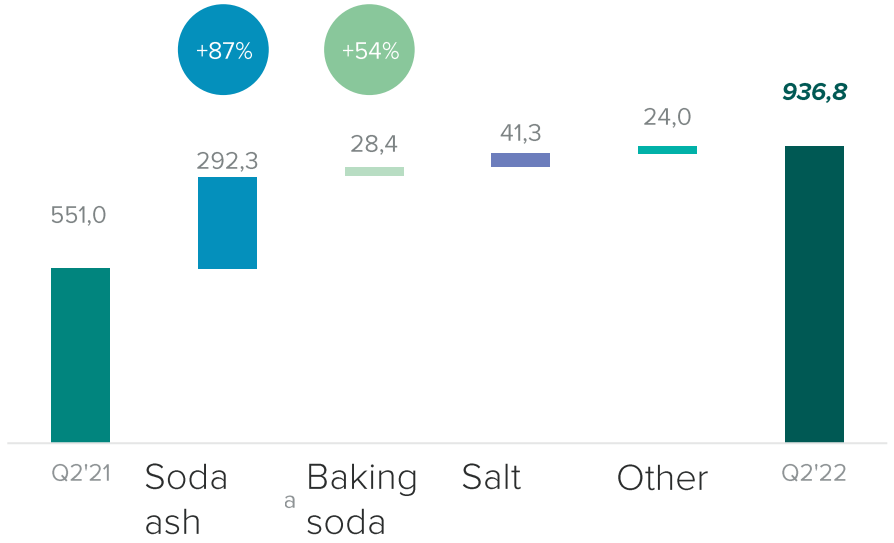
Strongly growing revenues of each soda business line

- High **+70% y/y** revenue growth in **the soda segment** - increases can be observed in every business line.
- **Soda ash revenue + 87% y/y** due to effective translation of most of the raw material cost increase into price. Result of proactive approach to negotiations and management of production profitability (transition to monthly/quarterly sales system).
- **Revenues from baking soda + 54% y/y.** Baking soda prices (used in the pharmaceutical, food and animal feed industries) followed soda ash trends.
- Increased sales from both plants in Poland and Germany due to demand for tablets and table salt (rebuilding the HoReCa segment). Implementation of a new price list, following cost increases.
- Other revenues mainly consist of electricity sales (CHP plant in Stassfurt), whose prices on the German market increased significantly year on year.

REVENUE OF THE SODA SEGMENT Y/Y [PLN M]

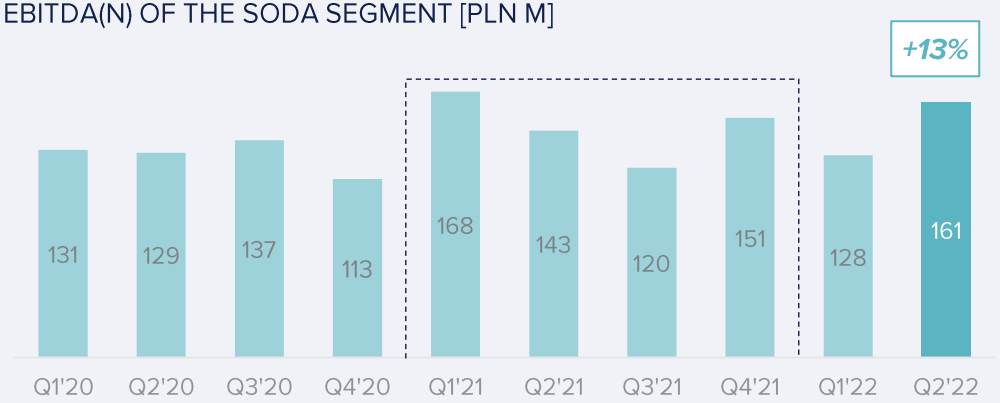


REVENUE OF THE SODA SEGMENT Y/Y [PLN M]

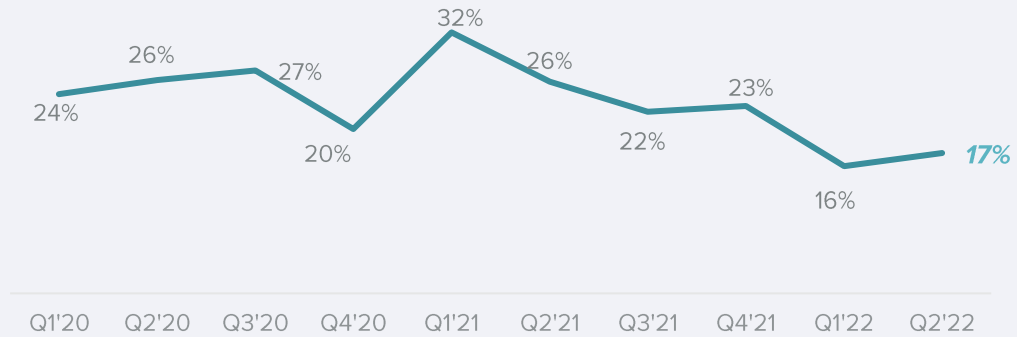


Double-digit growth in EBITDA(N) of the soda segment

EBITDA(N) OF THE SODA SEGMENT [PLN M]



EBITDA(N) MARGIN OF THE SODA SEGMENT



- **+13% y-o-y increase in EBITDA(N)** due to:
- a proactive approach to profitability management, reflecting dynamic changes in the soda and raw materials market,
- negotiation with customers to pass on most of the rising costs of energy raw materials: power coal (Poland) and gas (Germany); production: coke and anthracite; and CO2 certificates.

- Implementation of the energy and process transformation programme as planned.

- % EBITDA(N) margin lower y/y despite higher EBITDA(N). With the translation of rising raw material costs, production costs are growing stronger in percentage terms than revenues.

As of Q1'22, the transport business ((n)EBITDA of c. PLN 9 m in H1'22 and c. PLN 4.4 m in Q2'22) was transferred from the Soda Segment to the Other Business Segment. The data presented in the chart for periods other than Q1 and Q2'22 and Q1 and Q2'21 are not comparable.

Increase in market share of the Agro segment

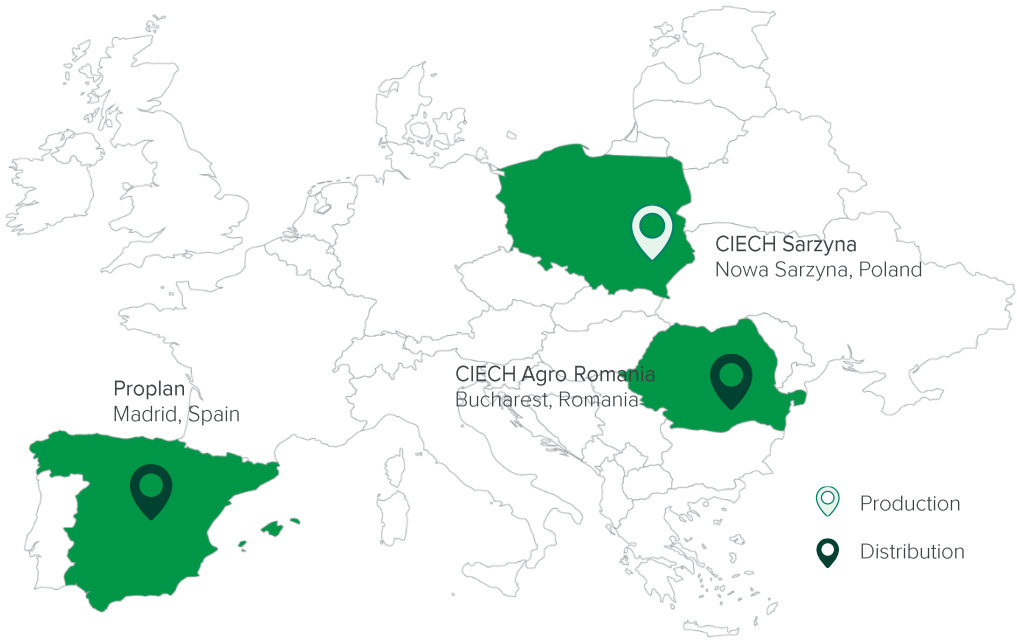
Growing market share of crop protection chemicals (CPCs) in Poland to 7% for H1'22, up 1 pp y-o-y due to favourable trends in cereal herbicides, rapeseed and maize products.

Q2'22 sales influenced by:

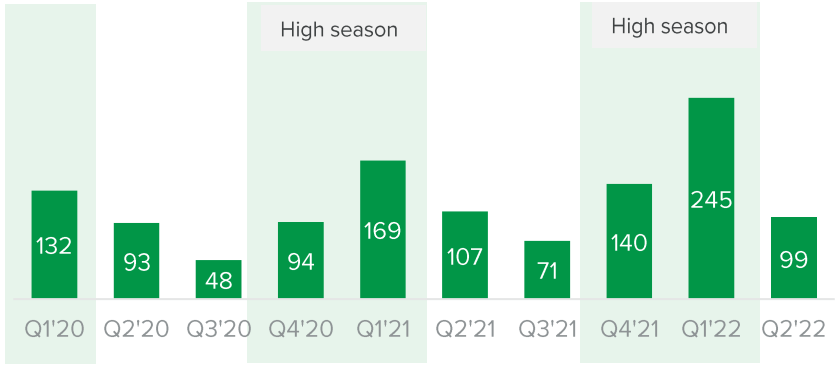
- (+) broader product portfolio and business decision-making based on real-time data,
- (-) high stocking up of customers in Q1'22. Use of CPCs in Q2'22 lower than last year due to unprecedented drought in Europe.

Continued geographical expansion:

- entering new markets with its flagship product: Halvetic - registration in Hungary and launch of sales in Spain. At the end of Q2'22, the product had registration in 11 countries,
- expansion of the distribution network in countries with growth potential - commercial launch in Romania (March'22).

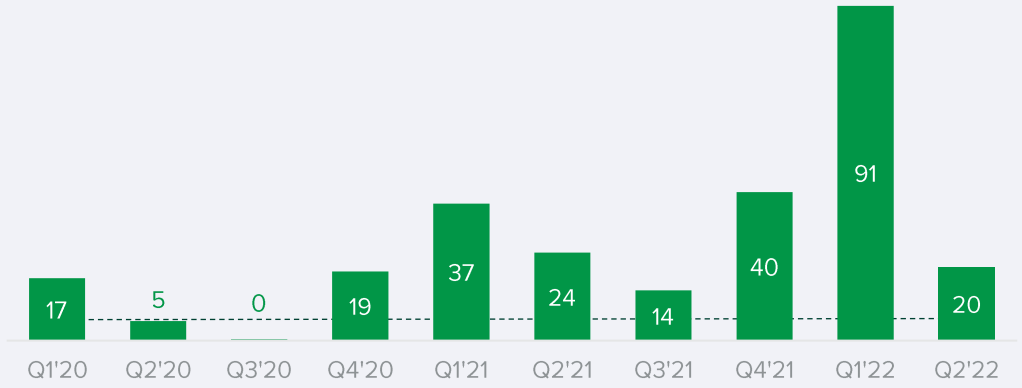


REVENUE OF THE AGRO SEGMENT [PLN M]

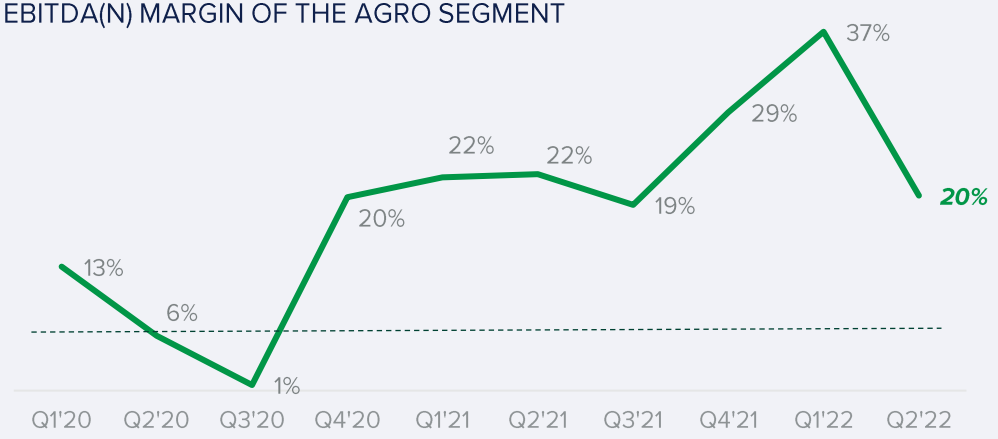


High EBITDA(N) profitability of the Agro segment

EBITDA(N) OF THE AGRO SEGMENT [PLN M]



EBITDA(N) MARGIN OF THE AGRO SEGMENT



Very strong EBITDA(N) for H1'22: PLN 111 m, +82% y/y, Almost as much as for the whole of 2021 (PLN 115 m).

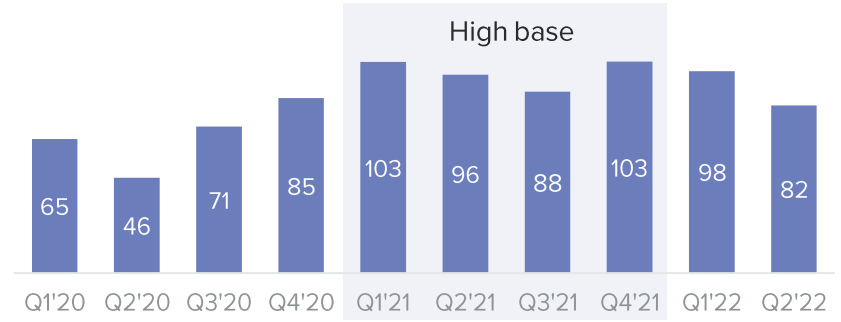
High 32% EBITDA(N) margin for H1'22, above key competitors.

Increase in cost of excipients and co-formulants in Q2'22.

High base in the Foam segment

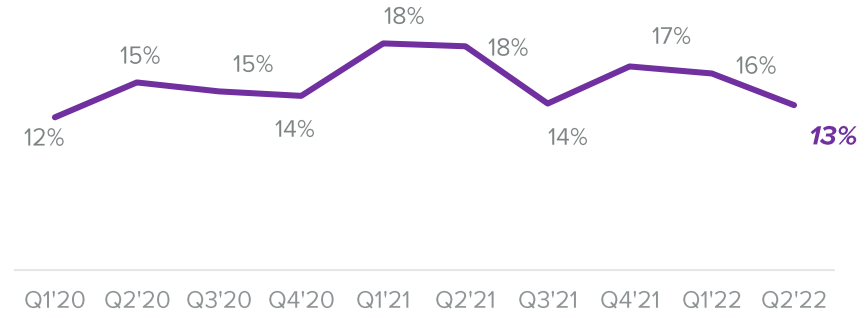
- Stabilisation of segment performance after record quarters in 2021 - taking advantage of exceptional raw material market conditions (TDI, polyols). Price management policy enabled above-average prices in 2021.
- Pressure in Q2'22 from the furniture sector (a key customer of foam, used in the production of sofas, sofas and chairs) due to the macroeconomic situation and the conflict in Ukraine.
- +1 pp increase in EBITDA(N) margin in H1'22 compared to H1'20 despite cost inflation and higher wage costs, thanks to process and technical improvements that were implemented. Decrease in margin in Q2'22: aim to maximise the result, not the % of profitability.

REVENUES OF THE FOAM SEGMENT [PLN M].



EBITDA(N) OF THE FOAM SEGMENT [PLN M].

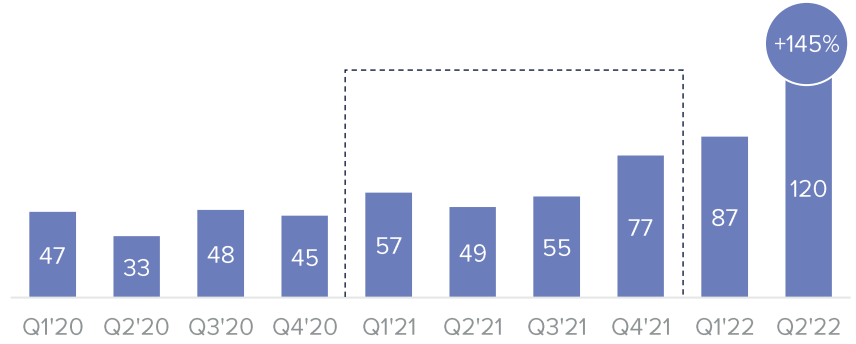
EBITDA(N) MARGIN OF THE FOAM SEGMENT



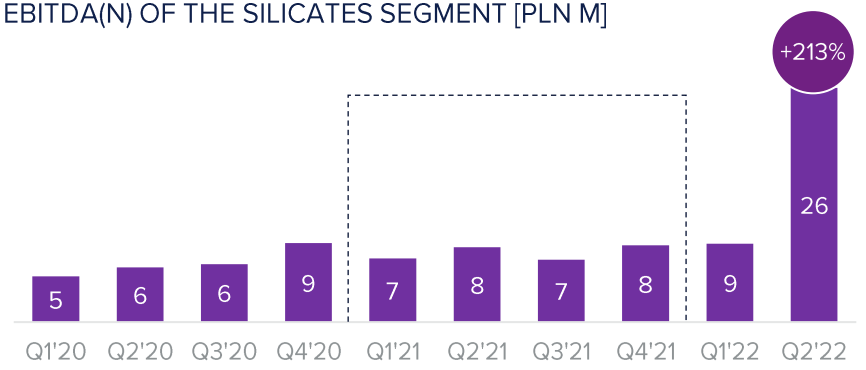
Record results in the Silicates segment

- Maximimum capacity utilisation of the new energy-efficient furnace.
- In addition, restarting the furnace extinguished at the end of 2021 due to the expansion of the customer portfolio - new contracts and improvment of the competitive position.
- The segment uses a local gas source. The pricing formulas used in most contracts allow for hedging fluctuations in raw material prices (including soda ash and gas).

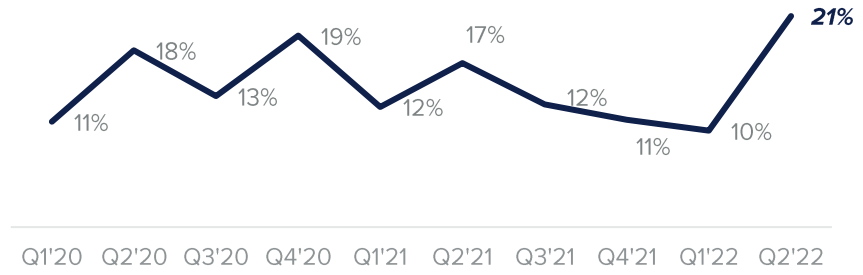
SILICATES SEGMENT REVENUE [PLN M]



EBITDA(N) OF THE SILICATES SEGMENT [PLN M]



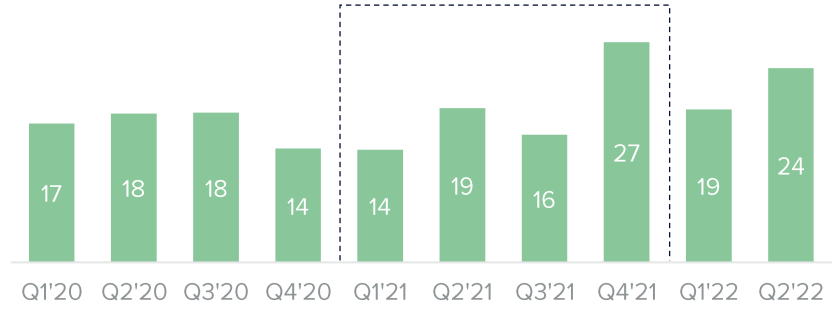
EBITDA(N) MARGIN OF THE SILICATES SEGMENT



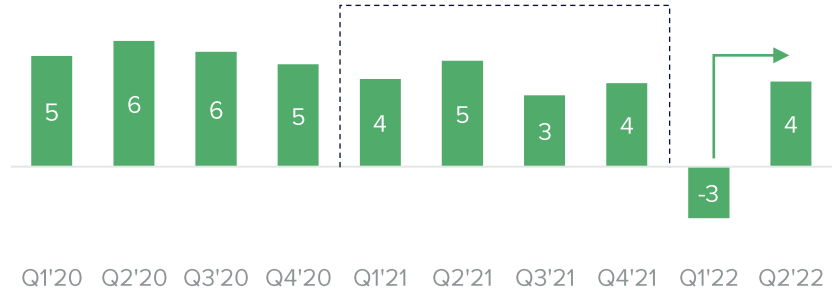
Rebuilding the Packaging segment

- The strong rebound in EBITDA(N) quarter-on-quarter margins and return to profitability are the result of negotiations actively conducted since the beginning of the year.
- The individual approach to customers has allowed gas price increases to be reflected in contracts.

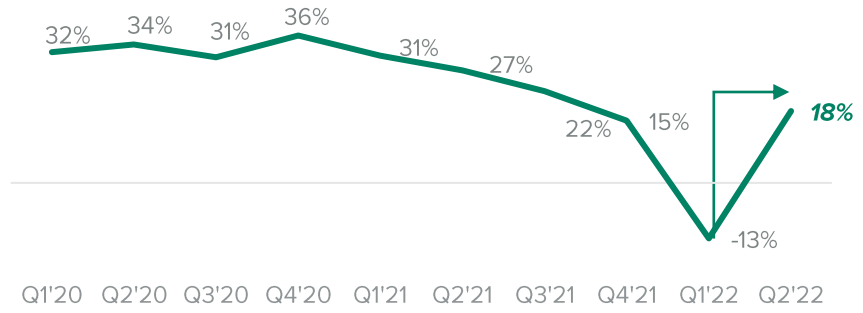
REVENUES OF THE PACKAGING SEGMENT [PLN M].



EBITDA(N) OF THE PACKAGING SEGMENT [PLN M].

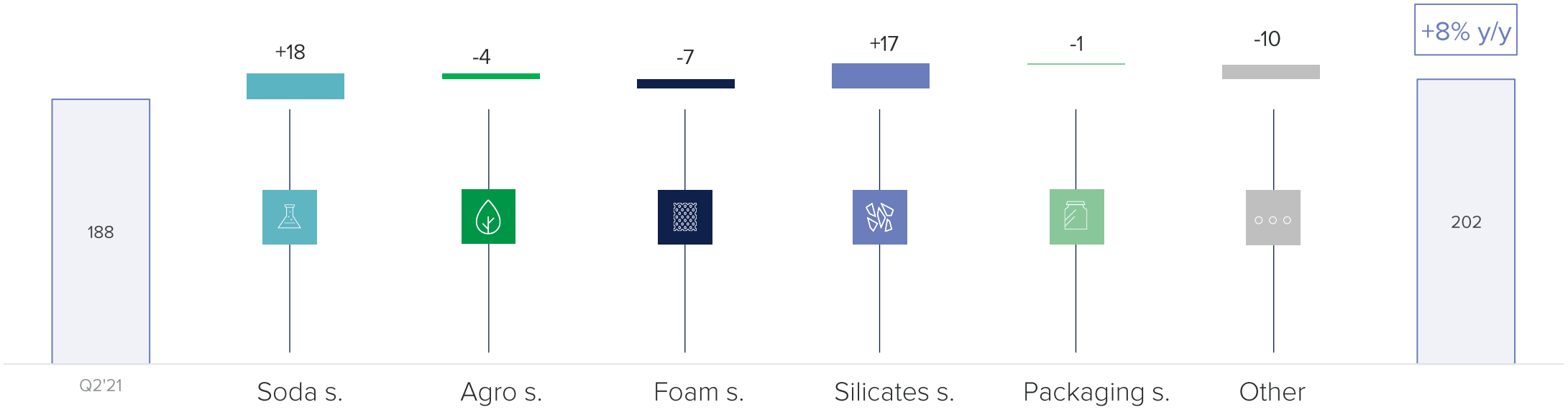


EBITDA(N) MARGIN OF THE PACKAGING SEGMENT



Soda segment key to EBITDA(N) growth

EBITDA(N) (PLN M)



Defending margin mass in response to raw material cost increases.

Increasing sales volumes of salt products.

Beneficial impact of wider product offering undermined by unprecedented drought in Europe.

High base due to the raw material situation in 2021.

Active use of market opportunities and new production capacity.

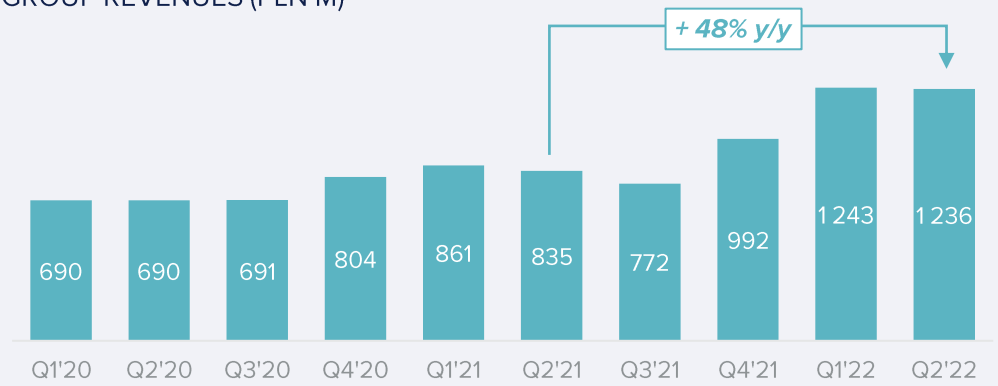
Stabilisation of y/y results thanks to efficiency improvements.

Increase in scale of business, cost of outsourced services and impact of employee rewards.

3 Financial results

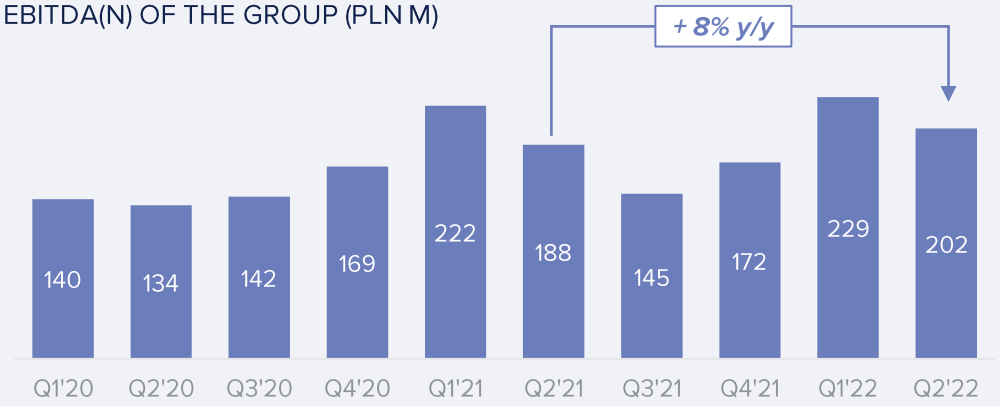
Strong growth in revenue and EBITDA(N)

GROUP REVENUES (PLN M)



- +48% y/y increase in Group revenues:
  - higher product prices,
  - higher production capacity,
  - geographical and product expansion.

EBITDA(N) OF THE GROUP (PLN M)



- **+8% y/y higher EBITDA(N)** in Q2'22, thanks to a proactive approach to managing profitability amid dynamic changes in the cost of raw materials. Making use of the market position.
- High EBITDA(N) growth despite of:
  - PLN 14.0 m cost of employee rewards for the 2019-21 strategy,
  - PLN 5.0 m bonus provision for key executives,
  - PLN 8.4 m of energy transition costs.

Net profit increase

PLN M	Q2'21	Q2'22	y/y
Sale	834.7	1 236.3	48.1%
EBITDA(N)	187.7	201.9	7.5%
EBIT	100.6	85.7	-14.8%
Gross profit	39.7	61.1	53.7%
Net profit	15.9	43.6	174.6%

Data relate to continuing operations

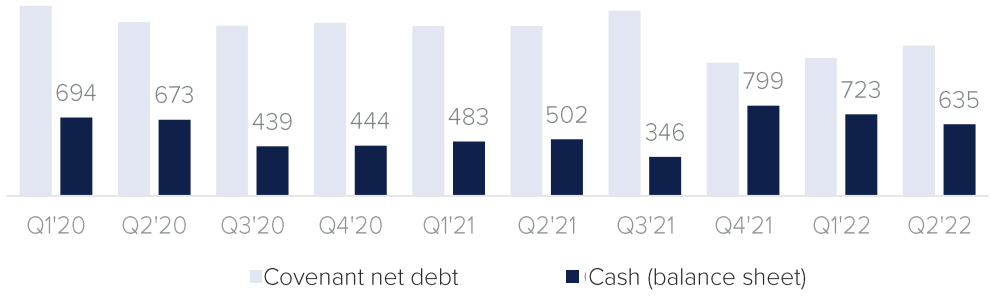
EBIT lower y/y due to:
- start of depreciation of salt plant in Germany: PLN 7.4 m in Q2'22,
- depreciation of the new silicate furnace: PLN 1.9 m, in operation since the end of Q4'21,
- registration of further Agro products: PLN 3.3 m.

More favourable y/y impact of net financing activities, mainly due to foreign exchange differences and result on currency derivatives (+PLN 17.6 m), one-off recognition of IRS valuation in Q2'21 related to refinancing (PLN -20.2 m), offset to a small extent by higher factoring costs in Q2'22 (PLN -4.4 m).

Normalisation of the effective tax rate: part of the costs from financing activities incurred in Q2'21 were not deductible for tax purposes.

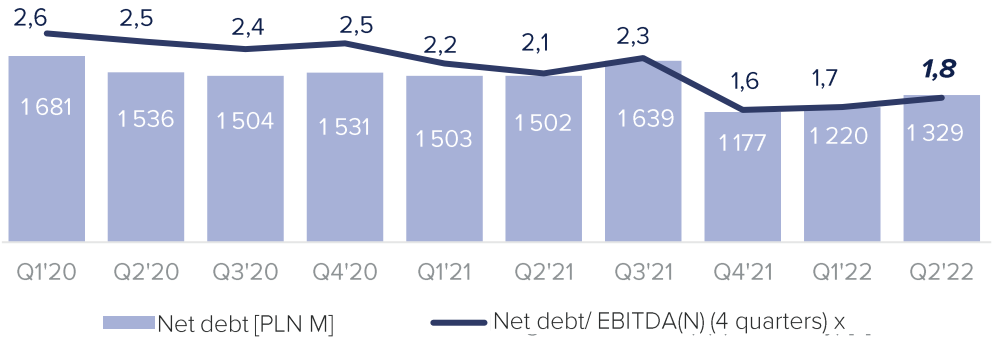
Secure liquidity position, fixed rate debt

NET DEBT AND CASH [PLN M]



- PLN 635 m cash on balance sheet, PLN 133 m higher y/y.
- Comfortable level to pay advance payment for dividend from M9'22 results.
- Additional limits available under committed credit facilities of PLN 403 m.

NET DEBT AND NET DEBT / EBITDA(N) 4 QUARTERS [PLN M].

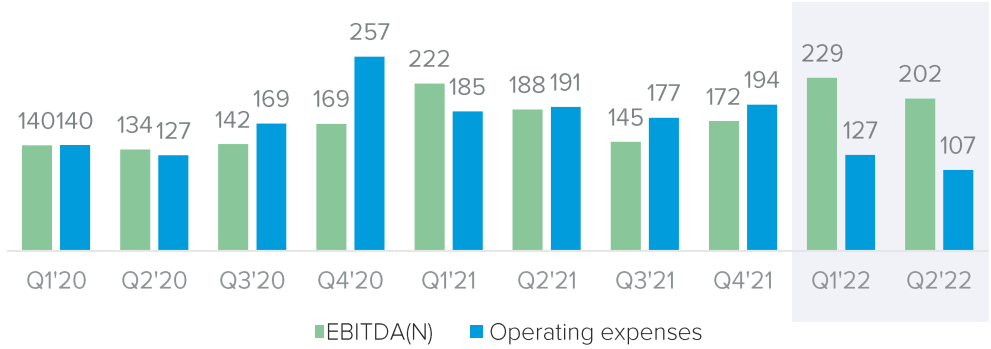


- Safe level of net debt and net debt/EBITDA(N) - 1.8x.
- 5-year syndicated credit of PLN 2.1 bn.
- At the end of Q2'22, we had drawn down PLN 1.9 bn of loans. Interest rate risk fully hedged with IRS and CIRS transactions on the drawn loan amount at the time of borrowing in Q1'21.

Net debt calculated as long- and short-term interest-bearing debt, net of IFRS16 leases and valuation of financial instruments. Cash is net of restricted funds.

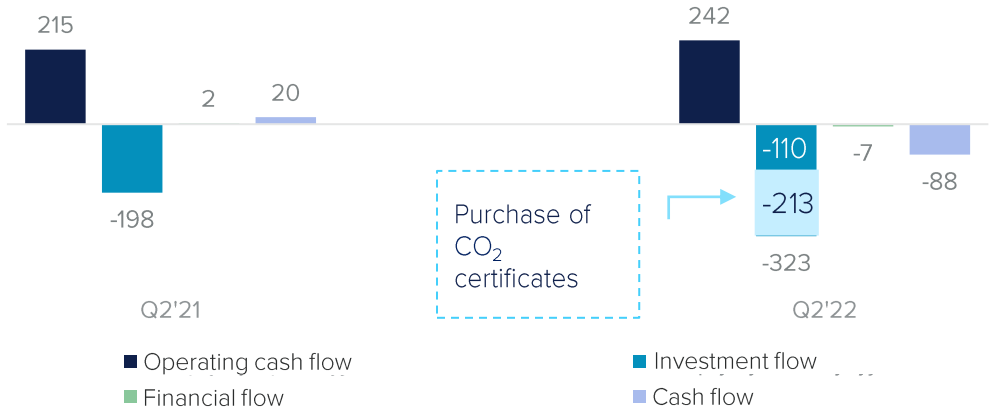
High and growing operating cash flow

EBITDA(N) VS INVESTMENT EXPENSES [PLN M].



- Return to the level of expenditure prior to the completed investment programme. Development expenditures accounted for about one-third of the expenditures in Q2'22. The remainder is replacement expenditures.
- The Soda segment accounts for the largest share of capital expenditure.

QUARTERLY CASH FLOW [PLN M]



- EBITDA(N) significantly above capital expenditure - greater efficiency of expenditures (smaller projects, faster return).
- 12% y/y increase in operating cash flow in Q2'22 due to higher gross profit, among other things.
- Investment flows in Q2'22 burdened by purchases of CO_2 certificates (purchase for the whole year).

4 Plans for 2022+

Action taken in the face of raw materials price volatility (1)

Power coal

Soda Segment (Poland)

- We are finalising deals for the last few percent of coal volumes needed in 2022.
- Diversification of supply sources - establishing relationships with foreign suppliers (Australia, South Africa, Indonesia, Colombia).
- Volumes from abroad already account for 10% of supply in 2022.
- Strong relationships with Polish suppliers and tested import destinations. In addition, our CHP plant in Janikowo acts as a supplier of system heat to the city.
- We have the advantage of a transport company (rail transport) - we are able to address the risk of distribution problems from the ports.
- Price approval at the end of the year - moving away from annual contracting and changing the approach to a continuous purchasing process.

Gas

Soda Segment (Germany)

Position of Ciech as a consumer of network gas consumer supported by:

- production of soda and salt for the pharmaceutical and food industries, among others,
- having a systematic combined heat and power (CHP) plant, the electricity generated is largely sold externally,
- generated thermal energy is important for the operation of the local community (town of Stassfurt).

Silicates and Packaging Segment

- Use of high-nitrogen local gas, the parameters of which require special facilities. Negligible risk of reduced volume supply.
- Work to diversify sources of raw material to minimise the risk of incurring the cost of extinguishing the furnace and turning it back on in the event of supply interruptions.

Action taken in the face of raw materials price volatility (2)

Coke and anthracite

Soda Segment (Poland, Germany)

- Flexibility in choice of fuel mix - any mix of anthracite and coke possible.
- Diversification of anthracite supply sources - new import destinations after implementation of sanctions on Russia (USA, South Africa, Peru, Indonesia).
- Planned increased use of coke due to higher raw material efficiency and more favourable prices. Active identification of new suppliers.

CO_2 certificates

Soda Segment (Poland, Germany), Packaging Segment

- The vast majority of certificates needed covered with free allowances and collateral.
- We have 132,000 certificates available for sale or use.
- More than half of the certificates needed for 2023 will come from free allowances.
- Intentionally leaving a partially open exposure to certificates for 2023 due to the desire to remain flexible when it comes to production volumes.
- The ongoing energy transition and process transformation should reduce the Group's need for certificates.

Good segments outlook for H2'22

Soda

Aim to pass on rising raw material prices and continue to work on improving cost efficiency.

Further development of the high-margin baking soda line.

Higher y/y capacity in salt.

Agro

Beneficial impact of geographic expansion of new product: Halvetic (new registrations and launch of sales in additional countries).

Development of further hybrid products.

Increase in revenue from distribution.

Foam

Expansion of portfolio to include organic products (development of formulations based on bio and re-polyols).

Normalisation of the raw material market situation - no possibility of realising above-average prices.

Silicates

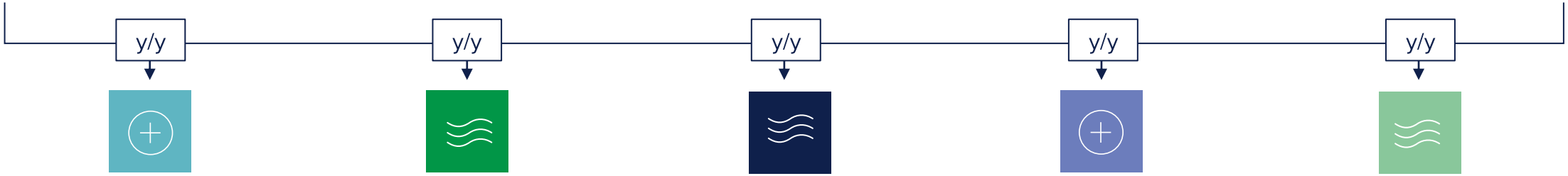
Capacity increase of 30% y-o-y - new furnace commissioned in Q4'21.

As a result, increased energy and process efficiency.

Continued acquisition of new customers due to improved competitive position.

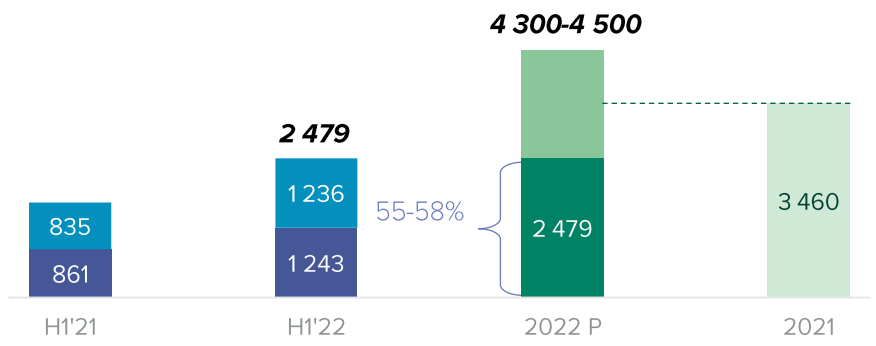
Packaging

Positive impact of price negotiations - greater pass-on of rising costs.

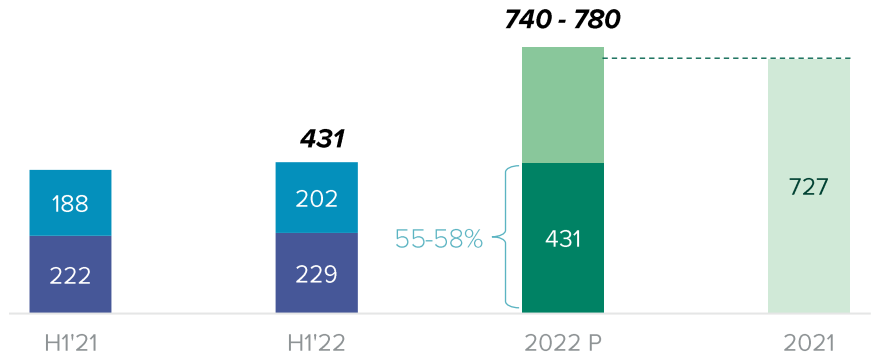


Conservative earnings forecast for 2022

REVENUE H1'22 VS FORECAST [PLN M]



EBITDA(N) H1'22 VS FORECAST [PLN M]



Realisation of the forecast at a safe level of 55-58%.

The mere stabilisation of H2'22 y/y results will mean that our forecast will be met.

After a successful H1'22, we have ambitions to achieve results close to the ***higher end of forecast ranges***.

We continuously monitor and address challenges and risks from the commodities market.

We are acting to address the challenges for 2023

2023 challenges:

availability and prices of raw materials used,

the scale of the economic slowdown in Poland and Europe.

Key actions taken that are expected to have a positive impact on EBITDA(N) 2023

Making our approach to production more flexible

we assume the continuation of monthly contract negotiations with soda segment customers, giving us flexibility in terms of accepted prices and production volumes

leaving a larger y/y open position on raw materials is key to maximising profit

Further cost optimisation

implementation of projects to increase energy and process efficiency, e.g. reducing raw material consumption in the Soda segment, thereby lowering variable unit costs per tonne of product

What we see: a number of organic growth opportunities in 2023

Soda segment

more efficient and profitable operations through further cost optimisation, as well as the development of high-margin lines, i.e. baking soda

Agro Segment

Halvetic's geographical expansion - successive registrations and introduction into new countries

Other segments

introduction of green products in the Foams segment and higher commercialisation of the new furnace in the Silicates segment

We are working on acquisitions that will bring long-term strategic benefits

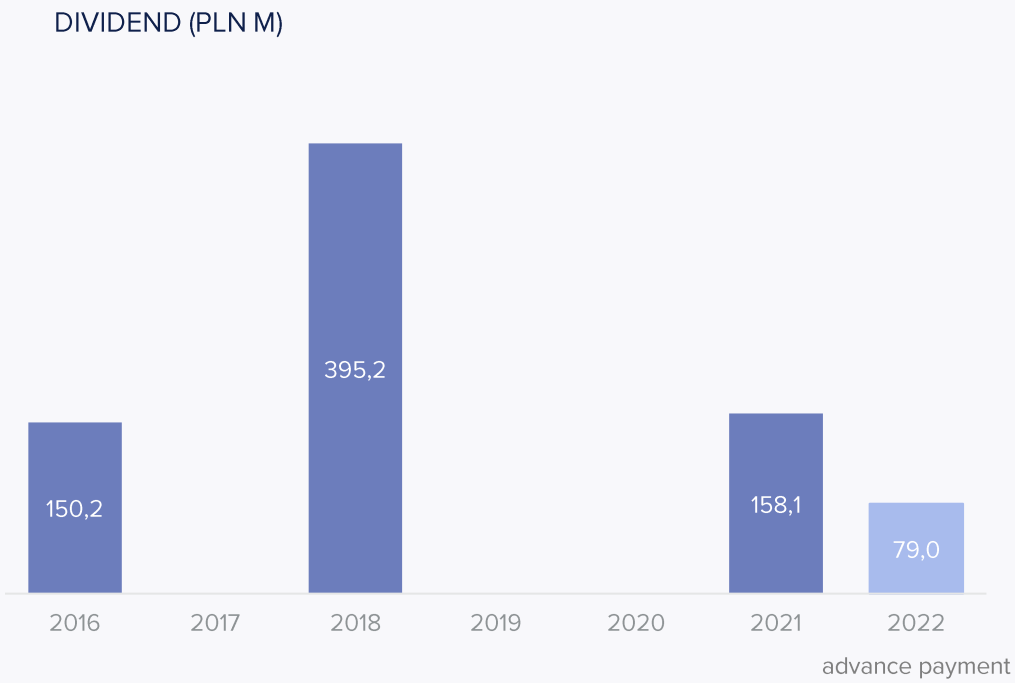
We maintain the possibility of signing a contract until the end of 2022

Soda segment | Agro segment | Foam segment | Silicates segment

Key issues concerning potential acquisitions :

- We focus on companies with activities similar to our core segments.
- We target companies with medium to large scale operations and in good financial health.
- We are interested in entities operating in developed markets in Europe or North America.
- A potential transaction must bring long-term strategic benefits, not just an increase in scale.

Our aim: pay the dividend regularly



Dividend shown in the year in which it was paid

The total value of the 2022 profit dividend shall be decided in 2023.

The aim is to build an asset portfolio that delivers a stable dividend to shareholders

Business model focused on cash generation: growth and effective investment

Scale of dividend payment from 2022 profits dependent on potential acquisitions

Potential acquisitions should increase dividend capacity

Three pillars of value creation

Organic development projects

Generating cash to pay dividends

Well thought-out acquisitions that add value

5

Q&A

Auxiliary slides

The quarterly result illustrates the effective management of the Group

mln PLN	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22
Sale	790.5	689.0	690.5	804.2	861.1	834.7	772.1	992.1	1242.6	1236.3
Gross profit on sales	173.6	154.7	148.1	184.2	186.0	206.0	134.3	121.2	268.3	259.3
% of margin	22.0%	22.5%	21.5%	22.9%	21.6%	24.7%	17.4%	12.2%	21.6%	21.0%
SG&A costs	103.5	75.8	85.4	79.0	99.5	106.3	96.4	170.1	132.0	160.4
Other operating activities	-7.0	-23.7	-2.9	-34.9	50.8	0.9	19.6	109.3	-5.0	-13.2
Operational profit	63.1	55.2	59.9	70.3	137.2	100.6	57.5	60.4	131.4	85.7
% of margin	8.0%	8.0%	8.7%	8.7%	15.9%	12.1%	7.4%	6.1%	10.6%	6.9%
Net financial activity	4.7	-42.6	-8.3	-12.2	1.1	-60.8	-1.3	-22.8	-15.1	-24.9
Tax	-27.2	-17.4	-14.8	-5.3	-24.4	-23.9	-15.1	21.0	-12.2	-17.7
Profit from discontinued operations	-1.5	-0.4	5.6	-0.7	69.8	-7.3	0.0	-0.7	0.0	0.0
Net profit of the parent company	39.7	-5.0	-5.0	52.0	184.4	8.0	41.6	58.4	104.3	44.9

EBITDA	142.0	135.5	139.2	166.1	221.1	186.6	145.0	177.8	229.2	188.8
EBITDA(N)(Z) – normalized	140.0	134.5	141.8	168.6	221.9	187.7	144.7	172.3	229.4	201.9
% of margin	17.7%	19.5%	20.5%	21.0%	25.8%	22.5%	18.7%	17.4%	18.5%	16.3%

Strong operating cash flows

PLN M	M3'20	M6'20	M9'20	M12'20	M3'21	M6'21	M9'21	M12'21	M3'22	M6'22
Net profit	39.4	34.0	76.2	128.0	183.7	192.3	233.6	291.6	104.0	147.5
Depreciation	81.6	163.4	242.8	338.6	83.8	169.8	257.3	374.6	97.8	200.9
Working capital and provisions	-127.0	94.3	182.2	358.0	17.9	108.2	169.5	517.5	-43.9	169.1
Operating cash flow	11.0	313.9	517.1	767.2	216.0	431.2	591.1	1 278.9	150.7	392.6
Capital expenditure	-143.5	-277.2	-446.8	-715.5	-191.8	-384.8	-571.8	-770.4	-131.3	-246.1
CO_2 expenses	-22.7	-107.7	-107.7	-129.2	-82.9	-82.8	-82.8	-133.9	-90.5	-303.6
Investment cash flow	-163.4	-379.6	-550.9	-834.0	-170.7	-368.2	172.3	221.5	-219.9	-543.0
Covenant net debt	1 681	1 528	1 504	1 531	1 503	1 502	1 639	1 178	1 220	1 329
Dividend	0.0	0.0	0.0	0.0	0.0	0.0	-158.1	-158.1	0.0	0.0
Financial cash flows	541.3	446.9	172.3	211.7	-12.1	-9.9	-14.2	-63.4	-7.5	-14.2
Cash	693.5	680.8	442.0	448.8	482.6	502.1	346.2	799.0	723.0	634.8

CIECH Group's collaboration with the startup and scientific community brings first results

Initiatives ***Capital Group***

Joining the partners (LP) of the international Emerald Industrial Innovation Fund

Goal: to build competencies related to investing in startups and exposure to a wide range of new technologies in the industry

Establishment of Ciech Ventures company that identifies startups of interest to the Group

Goal: to explore future technologies and business solutions for collaboration or investment

Initiatives ***Soda Segment***

Initiating research projects on waste reduction in the soda production process in cooperation with scientists from North America, the Middle East, Europe

Goal: reduce environmental impact

Establishing a cooperation (convertible loan) with a Latvian start-up developing technology for CO_2 separation from gas mixtures

Goal: decarbonisation

Initiatives ***Agro Segment***

Establishing a business partnership with a startup offering a digital precision farming solution for farmers

Goal: to build an ecosystem and open new channels to reach farmers

Test use of a computing solution developed by a Scandinavian startup to accelerate R&D work on Agro formulations

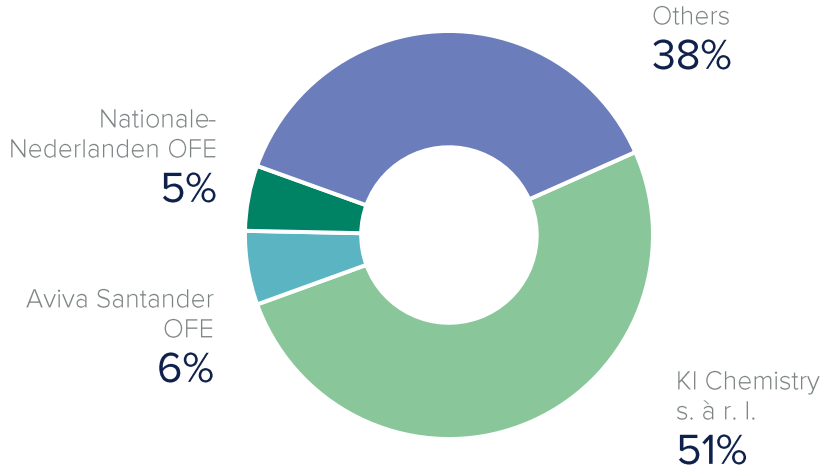
Goal: accelerate product innovation

Stable shareholding structure

1. According to the information dated 9 June 2014 provided by the Shareholder pursuant to Art. 77 section 7 and Art. 69 section 1 point 1 of the Act of 29 July 2005 on Public Offering and Terms and Conditions of Trade of Financial Instruments in the Organized Trading System and on Public Companies (CR 26/2014.

Kulczyk Investments is an international investment group specialising in initiating and executing transactions in markets with the highest growth potential. The company is based in Luxembourg.

2. and 3. Based on the list of shareholders holding at least 5% of votes at the Ordinary Shareholders' Meeting of Ciech S.A. on 28 April 2022 - CR 16/2022 prepared and made public pursuant to Art. 70 point 3 of the Act of 29 July 2005 on Public Offering and Terms and Conditions of Trade of Financial Instruments in the Organized Trading System and on Public Companies (Journal of Laws of 2009, No. 185, item 1439).



		Numbers of shares and votes	% of share
1.	KI Chemistry s.à r.l.	26,952,052	51.1%
2.	Aviva Santander OFE	3,084,470	5.9%
3.	Nationale-Nederlanden OFE	2,729,000	5.2%
4.	Other	19,934,387	37.8%
		52,699,909	100.0%

Thank you for your attention

Anna Zieja
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