

Update on the effects of the war in Ukraine on the CERATIZIT Group's Supply Capabilities

Dear valued business partners,

In view of the ongoing war in Ukraine, we would like to give you an update regarding the impact on the CERATIZIT Group's supply capabilities and address the most important issues. Should you have any further questions, your usual contact persons are available to you at any time.

Does CERATIZIT have production sites in Ukraine, Russia or Belarus?

CERATIZIT operates in Russia and Ukraine exclusively through a sales company or distributors and does not produce locally. However, in solidarity with Ukraine and in accordance with international sanctions, business in Russia is currently on hold.

Is CERATIZIT dependent on raw materials from Ukraine or Russia?

CERATIZIT does not purchase any raw materials from Ukraine or Russia whose supply cannot be ensured through other channels.

Does the war in Ukraine create logistical problems for CERATIZIT?

With the Group's centralized logistics centre in Kempten, Germany, optimised logistics routes to Asia, as well as an international production network which allows local production if necessary, CERATIZIT is currently not affected by logistics problems.

How does CERATIZIT ensure the supply of essential raw materials?

As one of only a few companies in the industry, CERATIZIT covers the entire production chain from raw material extraction and preparation to production and recycling completely internally. In combination with our worldwide production network, we are able to compensate for shortfalls and to produce raw materials independently in both Europe and the USA in order to cover the supply of tungsten carbide and cobalt exclusively via the USA if necessary. Similarly, in Asia, we have a fully integrated and independent supply chain through our joint venture CB-CERATIZIT. Additional security against shortages of tungsten and cobalt is provided by the fact that we can cover our needs sustainably and completely self-sufficiently from scrap.

What is CERATIZIT doing to prepare for longer-term supply shortages on the world markets?

As a result of our ongoing due diligence, CERATIZIT has built up larger material stocks with additional buffers for all those processes that are essential to safeguard our operations. However, we continue to monitor the situation in order to keep an eye on the risks arising from the war and to mitigate potential risks as soon as possible.

Is CERATIZIT affected by the international supply chain problems that affect numerous industries?

Whilst we face the same challenges as many others, we are able to continue our carbide production largely independently of suppliers, thanks to our high degree of vertical integration from raw material to finished product.

Is your production dependent on natural gas?

Depending on the location, there are direct (local production of hydrogen, electricity production or heating) or indirect (purchase of hydrogen produced from natural gas) dependencies. However, the geographical location of our production sites has a natural mitigating effect on this risk and positions us well compared to our competitors.

Do you have a contingency plan in case of an interruption of the gas supply?

The classification of parts of the production network as critical infrastructure enables preferential supply of natural gas if deliveries from Russia are stopped. Even in the event of a complete shutdown of the gas supply, our hydrogen and raw material stock will allow us to continue production in the short term. Furthermore, should it become necessary, our global production network allows us to close potential gaps flexibly and outsource parts of the powder production to a subsidiary in the USA, which is not affected by supply problems in Europe.

How do you assess your current situation?

The current global crises clearly show how important it was for us as a company to become more flexible and resilient in recent years and to make sustainability a focal point of our strategy. Thanks to internal restructuring, a digitalisation initiative, and the vertical integration of the company, we are now in a position to control the largest part of our raw material supply chain and to react quickly to changing market conditions. As a company, we have emerged stronger from the international crises. We are better equipped than ever to provide the best possible support to our clients, even under difficult circumstances. And that makes us stand out from the competition.