

UNAUDITED ANNUAL BUSINESS REPORT OF CINKARNA CELJE 2022

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SUMMARY OF THE MOST IMPORTANT DATA

OPERATIONS in € 000	2022	2021	2020	2019
Turnover	227,153,12	192,462,10	172,386,90	172,587,00
Operating profit (EBIT) ¹	51,818,11	39,976,60	22,534,40	25,726,90
Operating profit plus depreciation and amortisation (EBITDA) ²	63,968,79	51,258,00	32,467,20	32,296,30
Net profit	42,296,86	33,227,10	18,950,70	21,436,40
Non-current assets (year-end)	108,797,58	110,511,61	110,888,70	107,753,80
Current assets (year-end)	141,697,81	131,373,20	100,251,70	100,516,50
Equity (year-end)	208,085,24	190,165,80	174,820,90	170,806,10
Non-current liabilities (year-end)	19,498,59	23,273,00	20,876,40	22,578,00
Current liabilities (year-end)	22,911,56	28,446,00	15,442,00	14,886,20
Investments	10,223,83	11,325,40	12,233,00	11,956,00
INDICATORS				
EBIT as a percentage of turnover	0.23	0.21	0.13	0.15
EBITDA as a percentage of turnover	0.28	0.27	0.19	0.19
Net profit as a percentage of turnover (ROS)	18.62	17.26	10.99	12.42
Return on equity (ROE) ³	21.24	21.40	12.50	14.70
Return on assets (ROA) ⁴	17.18	14.70	9.00	10.20
Value added per employee ⁵	130,511	106,181	78,729	80,896
NUMBER OF EMPLOYEES				
End of year	775	793	824	846
End of year average	776	801	838	874
SHARE INFORMATION *				
Total number of shares	8,079,770	8,079,770	8,079,770	8,079,770
Number of own shares	264,650	264,650	219,510	106,520
Number of shareholders	2,321	2,077	1,920	1,920
Earnings per share in € ⁶	5.23	4.11	2.35	2.65
Dividend yield ⁷	10 %	9 %	11 %	13 %
Gross dividend per share in €	3.19	2.10	1.70	2.83
Share price at end of period in €	23.00	25.90	17.80	18.75
Book value per share in € ⁸	25.75	23.54	21.64	21.18
Market capitalisation (year-end) in € 000	185,834.71	209,266.04	143,819.91	151,495.69

* Share split recalculated for previous periods

¹ The difference between operating income and operating expenses.

² The difference between operating income and operating expenses, plus depreciation and amortisation. Reflects operating performance.

³ Net profit/average equity for the year. The indicator reflects the efficiency of the company in generating net profit in relation to capital. Return on equity is also an indicator of management's performance in maximising the value of the company for its owners.

⁴ Net profit/average balance for the year. The indicator reflects the efficiency of the company in generating net profit in relation to assets. Return on assets is also an indicator of management's performance in using assets efficiently to generate profits.

⁵ Operating profit plus depreciation, amortisation and labour costs divided by the average number of employees after accrued hours. A productivity indicator reflecting the average new value created per employee at Cinkarna.

⁶ Net profit/average number of shares in issue during the year, excluding own shares.

⁷ Amount of dividend/share value (at the date of the resolution)

⁸ Capital at end of period/total number of shares issued.

BUSINESS REPORT

The 2022 financial year was marked by two different half-year periods. The first continued the favourable market trends and high level of demand of the previous year. However, the last half of the year witnessed the impact of increased energy risks, the downturn in the Chinese property market and the consequent decline in local pigment sales, and increased export pressure from Asian pigment to European markets. The second half of the year saw a significant cooling in demand from European customers across all sales segments due to inflationary pressures on the industry and the end consumer. As a result of weaker demand and high prices in the energy markets, several competing European producers temporarily reduced or stopped production. Notwithstanding the above, we have maintained maximum production levels and managed to realise sales in the 2022 financial year that are 18% higher than the previous year. The increase in sales was mainly due to higher average prices for titanium dioxide pigment and maximum utilisation of production capacity.

Focusing on our core titanium dioxide pigment programme and rationalising our portfolio of strategic business areas are key building blocks of our business performance. Titanium dioxide pigment is our most important product and is an indispensable raw material in the modern world, and we are committed to further developing and continuously improving the quality of titanium dioxide pigment and exploring its use in sustainable applications.

We consider that the achieved operating results are objectively good and exceed the forecasts for the period. Cinkarna Celje d.d. is a relatively small pigment producer, so we face market conditions and changes as a typical follower, but of course we try to make the most of the market potentials within the given framework, both in terms of the level and the temporal dynamics.

We are committed to a long-term business strategy based primarily on an active marketing approach to find and develop the most profitable customers and markets, to increase market share in the highest quality markets and to build long-term partnerships with key customers. We plan to adopt a more restrictive policy in the management of material, raw material, energy and service costs. At the same time, we recognise that employees are the most important foundation of business success and we will continue to work with the representative trade unions and employee representatives to ensure that employee remuneration also adequately reflects the company's performance or the quality of its results.

Last year, sentiment indicators for the euro area improved, but the last quarter was marked by a cooling of the economy. Economic growth in the euro area is expected to slow significantly in 2023. The latter is affected by high inflation, tighter financing conditions and lower consumer confidence. In a context of high uncertainty, high prices, weakening household purchasing power, a cooling global economy and tighter financing conditions, euro area growth will slow.

The macroeconomic situation mentioned above, in the context of the specific markets and the carrier products of Cinkarna, means that pigment consumers are facing weaker demand and sentiment, with high costs and inflation being the key reasons. In addition to European pigment supply, very cheap volumes are emerging from Asia. The above reverses the trend of pigment selling prices in Europe. The difference between the selling price in China and Europe is at a historically high level. Container transport prices between Asia and Europe have also fallen sharply, which adds to the very favourable supply of Chinese pigment on the European market. We are closely monitoring the easing of restrictions in China, where the latter may stimulate economic growth and consumption and divert the peak volumes to the source. Based on our assessment of current market conditions, we estimate that downward pressure on prices will continue over the next few quarters. In parallel, prices of some key raw materials are persisting at high levels or are only being priced to a lesser extent, which will result in further downward pressure on profit margins. The latter will also be affected by higher energy prices. As a consequence of these facts, we have also formulated our plan for 2023, taking into account the underperformance and increased capital expenditure in the energy and sustainability transformation.

Sales by other business units are above the level of the previous comparable period. This relates in particular to the metallurgy and varnish business areas, which, due to higher raw material input costs, are higher than those achieved in the same period of the previous year.

The main emphases of the company's business policy remain unchanged. We focus on maximising production capacity, exploiting market potential to sell products with higher added value, optimising production costs and implementing investment plans. Financial management is traditionally conservative and the company is financially stable.

In the period under review, Cinkarna Celje d.d. generated sales revenues of € 227.2 million, which is 18% more than in 2021. The total value of exports in the period under review amounted to € 208.4 million, which is 19% more than in the same period of the previous year. Net profit reached € 42.3 million, 27% higher than the € 33.2 million achieved in the corresponding period of the previous year. Operating profit plus depreciation and amortisation, or EBITDA, amounted to € 63.9 million, representing 28% of sales. EBITDA is 25% higher compared to the previous year.

In the area of human resources management, we focus on optimising the organisational structure to ensure the smooth running of the company and, as a result, the conditions for maximum safety and health for our employees. We follow the principle of a positive and motivating remuneration policy and ensure an appropriate level of employee satisfaction and motivation. At the same time, we are introducing IT support to develop competences and improve the organisational climate.

We have earmarked € 10.5 million for investments, the purchase of fixed assets and replacement equipment, and environmental investments, which represents 70% of the planned budget for 2022. The under-implementation is mainly due to the occurrence of changed circumstances requiring interruption of works and additional preparation of documentation, longer procedures for selecting the most advantageous supplier, pilot tests of various installations, delays in the preparation of project documentation and administrative procedures. The main part of the funds was allocated to the production of titanium dioxide pigment to improve the quality of the products, to ensure the planned volume production and to reduce the environmental impact. We invest in programmes that show growth potential. Our investments in production are primarily aimed at ensuring a viable volume of production, higher quality and regulatory compliance. We are building solar power plants in phases. Improvements in the operation or upgrading of waste water treatment plants and the implementation of measures to reduce emissions in the working environment are ongoing. Our development activities follow our five-year strategy and at the same time we are preparing the ground for its upgrading, mainly in terms of complementing existing programmes and integrating the ESG strategy. Development activities have been carried out according to the perceived opportunities in the areas of our expertise, trends and customer expectations.

In the context of ensuring the sustainable development of titanium dioxide production, we are continuing our multi-year development project on integrated water management and waste minimisation. We have also set up and implemented new activities in the areas of determining the carbon footprint of the company and its main products, the use of renewable energy, the re-use of materials, and energy efficiency. Sustainable operations will be presented in more detail in the 2022 audited annual report. The company has several interrelated projects to comprehensively manage spatial and environmental risks. The most important of these are the alternative water supply projects, the harmonisation of the spatial planning acts at the Za Travnik red gypsum filling plant, the remediation of the Bukovžlak Non-Hazardous Waste Disposal Site (ONOB) and the assurance of the stability of the barrier bodies.

The following sections of the report provide more detailed information by business area, as well as an overview of the company's financial position and performance.

Management Board of the Company

STATEMENT OF MANAGEMENT RESPONSIBILITY

The Management Board is responsible for preparing the financial statements for each period in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the Companies Act (ZGD) in such a way that they give a true and fair view of the business activities of Cinkarna Celje d.d.

The Management Board expects that the Company will have adequate resources to continue as a going concern in the future and, therefore, the financial statements of the Company are prepared on the going concern basis.

The Management Board's responsibility for the preparation of the financial statements includes the following:

- Accounting policies are appropriately chosen and consistently applied;
- Judgements and assessments are reasonable and prudent;
- Financial statements are prepared in accordance with IFRS as adopted by the European Union, and any deviations are disclosed and explained in the report.

To the best of its knowledge, the Management Board declares the following:

- The 2022 Annual Report of Cinkarna Celje d.d. includes a fair presentation of the development and results of its business and of its financial position, including a description of all material risks to which the Company is exposed;
- The 2022 financial statements of Cinkarna Celje d.d. are prepared in accordance with International Financial Reporting Standards as adopted by the EU and give a true and fair view of the assets and liabilities, financial position, profit or loss and comprehensive income of the Company.

The financial statements, together with the related policies and notes, were adopted by the Management Board on 30 January 2023.

Management Board

**President of the
Management Board**

Aleš SKOK,
univ. dipl. inž. kem. teh., MBA -
ZDA



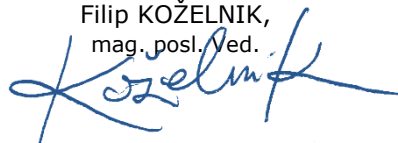
**Member of the Management
Board – Deputy President
of the Management Board –
Technical Director**

Nikolaja PODGORŠEK SELIČ
univ. dipl. inž. kem. inž., spec.



**Member of the
Management Board –
Works Director**

Filip KOŽELNIK,
mag. posl. ved.



1 SALES

Total sales in 2022 are 18% higher than in the comparable period in 2021, with total sales or net sales revenue reaching € 227.2 million. One of the highest monthly sales in 2022 was achieved in May, when sales amounted to € 23.6m, an all-time monthly record.

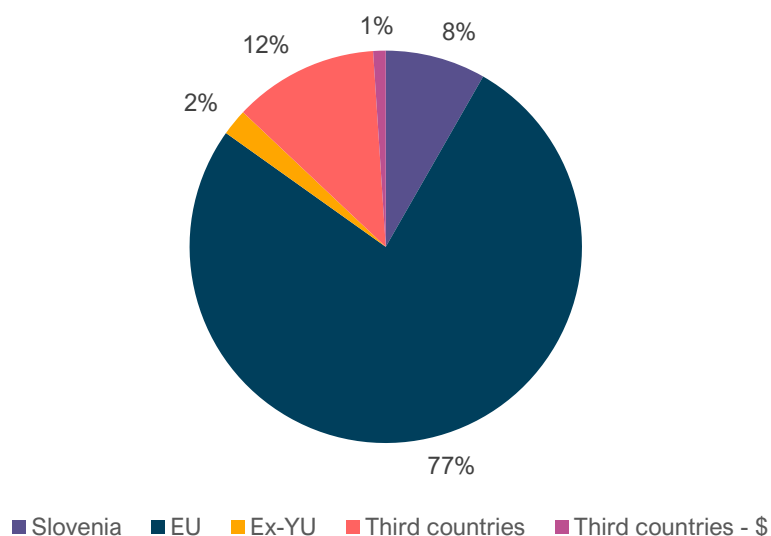
1.1 Sales by geographical segment

Total sales to foreign markets increased by 18% compared to the same period of the previous year. The increase in sales to foreign markets is undoubtedly due to higher pigment selling prices. In absolute and relative terms, the most significant increase in sales is to EU markets.

Sales by geographical segment

	2021	2022	ΔPY%
Slovenia	17,355,361	18,781,919	+8
EU	142,500,353	173,950,706	+22
Ex-YU	4,383,469	4,959,791	+13
Third countries	24,693,293	27,117,372	+10
Third countries – dollar markets	3,529,624	2,343,328	-34
TOTAL	192,462,100	227,153,116	+18

Share of each market in the Company's total sales



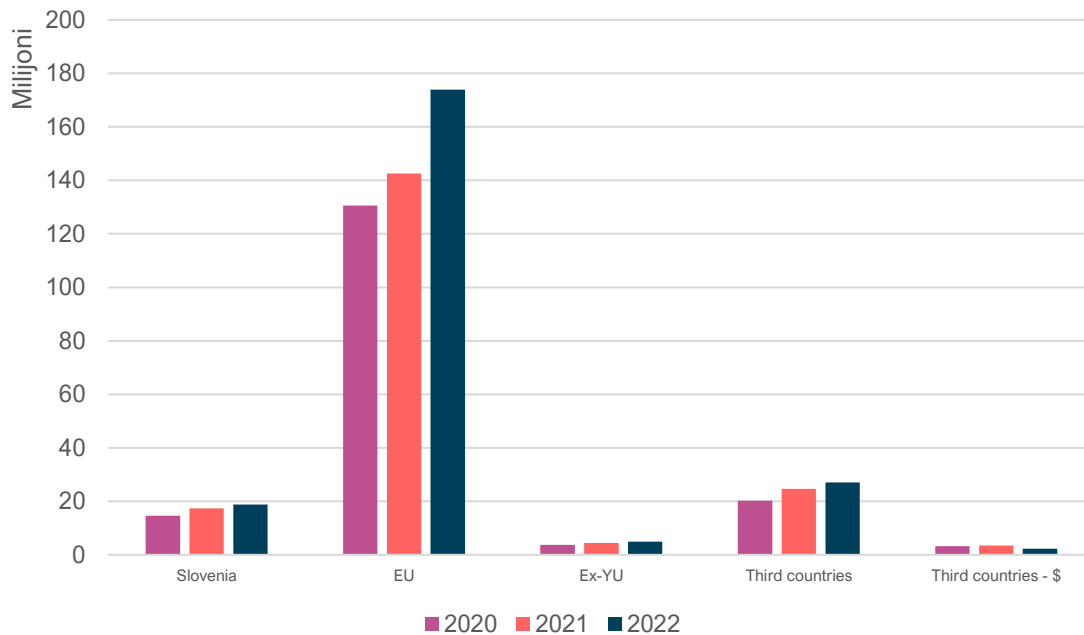
Sales to the EU market are 22% higher than in the previous year. The outperformance was mainly driven by higher pigment sales prices and volumes and higher exchange prices for copper and zinc, which in turn impacted the sales price of the product groups zinc alloys and wires and copper fungicides. One of the key markets is Germany, where we generate 29.7% of our export sales and 27.2% of our total sales. The importance of the German market has decreased slightly compared to the previous year, due to the objective maturity of the market.

Sales to the markets of the former Yugoslavia increased by 13%, due to higher value sales of pigment, zinc products and copper fungicides.

Domestic sales are 8% higher compared to the same period in 2021. Sales growth was driven by growth in all business units except BU Polimeri.

Overall, sales to third country markets are up 4% compared to the same period last year. As mentioned above, the main contributor in this segment was the higher selling price of pigment. In the dollar markets, we still maintain minimum control market shares, as larger volumes would be unsustainable due to the specific conditions, which are certainly less favourable than in the European markets.

Sales by geographical segment



The share of total exports in the Company's total sales in the year under review was 91.7%, an increase of 0.7% compared to the previous year. The increased share of exports relates to an increase in value sales to the key markets of Germany, Italy, France and Turkey. The main share is achieved through exports of titanium dioxide pigment.

The structure of sales by national market naturally varies from quarter to quarter, depending on the conditions prevailing in each market. Roughly speaking, however, the structure is determined by the profitability of the markets, the marketing strategy and the political-economic security and reliability of the markets.

1.2 Sales by business segment

Sales by business segment

	2021	2022	ΔPY%
Titanium dioxide	156,788,783	187,495,664	+20
Zinc processing	6,364,355	8,240,209	+29
Varnishes, mastics and printing inks	17,687,588	18,516,808	+5
Agro programme	7,990,692	8,399,825	+5
Other	3,630,682	4,500,610	+24
TOTAL	192,462,100	227,153,116	+18

During the period under review, sales of the carrier programme **Titanium Dioxide Pigment** reached € 187.5 million. The € 30.7m higher value sales are due to higher average selling prices. Pigment contract prices in Europe have been rising steeply until 2021, reaching a series of quarterly records. The upward trend in pigment selling prices has moderated or reversed at the half-year point. There is no doubt that consumption is moderating due to inflation in Europe and changing consumer sentiment. In the industry, reduced purchasing interest is expected. The latter is also affected by the uncertainty of natural gas supply, which is increasing concerns about the operation of European industry. Among others, some competitors have announced or already reduced pigment production in Europe, in particular global producers with a portfolio of plants around the world, which have leased energy products at significantly lower prices in America or Asia. However, the price of energy is correlated with the price of the ancillary raw materials needed to produce the pigment.

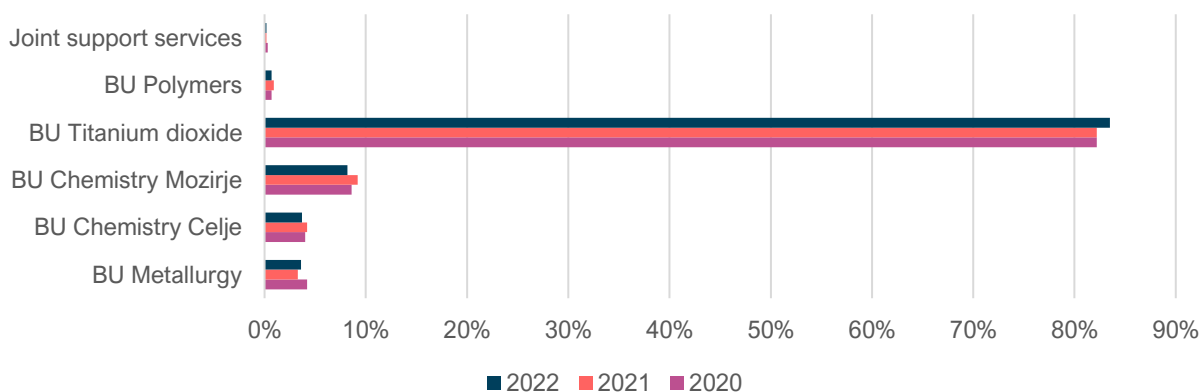
The **Zinc Processing** sales programme combines the product groups zinc wire, anodes and alloys. The performance is 29% higher than in the comparable period of the previous year. The increase in sales mainly relates to higher zinc prices on the stock exchange.

During the period under review, there was a comparative increase of 5% in sales of the **Varnishes and Mastics** product range, which is mainly attributable to higher selling prices of masterbatches and powder varnishes. This is mainly due to the incorporation of higher input prices.

Sales of the **Agro Programme**, which includes sales of copper fungicides, Pepelin, copperas and Humovit, increased by 5% compared to the comparable period in 2021. The increase is due to higher sales prices of copper fungicides. These are higher on account of higher copper exchange prices and an improved sales structure. In 2022, we continued to produce the highly marketable active ingredient tribasic copper sulphate (TBCS). We held sales of Humovit at the level of the comparable period in 2021. The fact remains that we are dependent on local and nearby market conditions for soil sales, as the product cannot withstand the additional cost of transport to enter distant markets.

The **"Other"** programme includes sales of thermoplastics, polymers, elastomers, aggressive media transport systems (STAM), sulphuric acid, CEGIPS, merchandise, services, and sales of discontinued products and product groups. The value sales of this group are 24% higher on a comparable basis. The value sales of STAM are at a similar level. The value sales of sulphuric acid are 34% higher. In the case of the programmes of this group/category, it is also necessary to highlight CEGIPS, which is 72% higher. We have sold 164.4 thousand tonnes of CEGIPS, which is important in the context of the lifetime extension of the Za Travnikom site.

Sales by business unit



Over the period under review, it can be seen that the relative proportions have changed again. The share of BU Titanov dioksid is higher by 1.3%. In line with the higher value sales of metallurgical products, BU Metalurgija's share is 0.3% higher. The other BUs show a decrease in their share.

BU Polimeri's share declined comparatively, as business volumes coincided with investment activity in the regional pharmaceutical and petrochemical industries. It is therefore essentially a contract-based, fully customised production of technological systems, which is directly dependent on the investment cycles of the industry in the region.

There are changes in the sales structure by business unit. In the short term, the substantive changes result in a smaller number of business units and, in the longer term, an increase in the relative importance of the core programme, i.e. titanium dioxide.

2 PERFORMANCE ANALYSIS

2.1 Operating result

In 2022, an **operating result** of € 51.8 million was achieved. This result exceeds the 2021 operating result of € 40 million by 30%. Operating performance was therefore better than the previous year, but significantly above the level of the business plan. This outperformance was driven by good volume sales and an increase in the selling prices of the underlying product. The operating result including depreciation and amortisation, or EBITDA, amounted to € 64 million, representing 28% of sales. Compared to the previous year, EBITDA is 25% higher.

After accounting for the impact of financial income and expenses, a **pre-tax profit** of € 51.4m was recorded in 2022 and a profit of € 40m in 2021. The pre-tax result increased by 29% compared to the previous year. In 2022, a negative balance on financing of € 460.1 thousand was achieved (in 2021, the negative balance on financing was € 20.1 thousand). The resulting balance on financing results from a negative balance on exchange differences of € 457.6 thousand, a negative balance on income and expenditure on investments and interest of € 2.5 thousand. The negative balance on financing is due to forward purchases and sales of dollars. The negative balance throughout the year, however, represents the effective use of hedging instruments to manage the volatile movement of the \$/€ currency pair in the purchase of titanium bearing ores.

The **net result for the period** amounts to € 42.3 million and is 27% higher than the result for 2021 (€ 33.2 million). Taking into account the developments in the international economy, the titanium dioxide pigment market and, above all, the results of our competitors in the titanium dioxide industry, we consider the result to be above average and above expectations. The net result comprises profit before income taxes of € 8.6 million (effective tax rate of 16.7%).

2.2 Expenditure and costs

The structure of consumption of raw materials, packaging and energy shows a significant deviation compared to 2021. In relative terms, the most significant increase is in the cost of energy products, which is 67% higher due to the current energy market situation. Energy efficiency improvement measures aim at controlling this cost category.

The price ratio is changing, due to higher input prices. The purchase prices of titanium-bearing raw materials are at higher levels than in the previous year. The total cost of raw material consumption is 36% higher.

At the end of the period, raw materials/materials for production accounted for the largest share of production costs (84.6%), followed by energy (13.9%) and packaging (1.5%). Compared to the previous year, there is a marked change in the structure, with an increase of 2.3 percent in the share of energy.

The structure of labour costs is disclosed in the Notes to the Financial Statements; 5. Labour costs. Gross salaries have been established according to the provisions of the collective agreement, taking into account the agreements between the trade unions and the Management Board. Transport to work and meals during work are in accordance with the applicable regulations. Labour costs include supplementary pension insurance, performance-related payments, severance payments, other employee benefits, solidarity grants, jubilee bonuses and other items. The amount of the holiday allowance paid per employee for 2022 is € 1,923.92 gross.

2.3 Assets

	31/12/2022	31/12/2021
ASSETS		
Intangible assets	1,208,224	980,672
Tangible fixed assets	104,083,017	105,896,129
Financial assets at fair value through other comprehensive income	1,973,765	1,651,099
Other non-current assets	68,049	53,028
Deferred tax assets	1,464,527	1,930,685
Total non-current (long-term assets)	108,797,582	110,511,613
Current assets		
Stocks	72,064,156	40,298,476
Trade receivables	24,290,543	31,172,903
Cash and cash equivalents	45,210,098	59,746,594
Other current assets	133,009	155,223
Total current assets	141,697,806	131,373,196
Total assets	250,495,388	241,884,809

The **share of non-current (long-term) assets** in total assets decreased by 2.3 percent to 43.4% compared to the end of 2021. The largest category of non-current assets is tangible fixed assets (95.7%). Their value decreased by € 1.8 million, or 2%, in 2022, for the difference between the amount invested in tangible fixed assets and the actual depreciation charged. Non-current financial investments increased by € 0.3 million in 2022 due to revaluation and comprise shares and interests in companies. Deferred tax assets decreased by 24% due to the reversal and utilisation of provisions and the tax-recognised valuation allowance on receivables. Other non-current assets are represented by emission allowances obtained free of charge from the State. Their balance as at 31 December 2022 is € 15 thousand higher than as at 31 December 2021 due to the positive balance between the acquisition of the allowances for 2022 and their surrender to ARSO for CO2 emissions for 2021.

The **share of current assets** in total assets increased by 2.3 percent compared to the end of the previous year to 56.6%. The most important categories in the structure of current assets in terms of value are stocks (51%), cash and cash equivalents (32%) and trade receivables together with other current assets (17%).

Stocks increased by 79% compared to the end of 2021, with a 66% increase in the value of material stocks (including advances), a 32% increase in work-in-progress stocks and a 122% increase in the total value of the company's finished goods and merchandise stocks (all compared to the end of 2021). The main reason for the increase in finished goods stocks is the reduced volume sales of pigment in the last quarter of 2022.

Current financial receivables have no balance as at 31 December 2022.

Current trade receivables comprise current trade receivables from customers and current trade receivables from others (mainly from the State for input VAT). Compared to the situation at the end of 2021, receivables have decreased by 22%. Trade receivables decreased by 24%, while other current receivables increased by 9%. A maturity breakdown of trade receivables shows that the age structure of receivables continues to be of good quality and secured by an external institution or other form of collateral.

Cash (and cash equivalents) represent 32% of total current assets, with a 24% decrease in cash compared to the previous year due to the dividend payment of € 24.9 million at the end of June 2022. The remaining value of cash is mainly due to the excellent performance throughout the year.

Other current assets comprise prepaid expenses accrued. Their value decreased by 14%.

2.4 Liabilities to sources of funds

	31/12/2022	31/12/2021
CAPITAL AND LIABILITIES		
Called-up capital	20,229,770	20,229,770
Capital reserves	44,284,976	44,284,976
Profit reserves	122,972,599	101,824,169
Fair value reserve	-634,690	-1,179,702
Retained earnings	21,232,589	25,006,577
Total capital	208,085,244	190,165,790
Provisions for employee benefits	3,651,696	4,256,064
Other provisions	15,527,884	18,828,856
Non-current deferred income	319,007	188,082
Total non-current liabilities	19,498,587	23,273,002
Financial liabilities	59,392	197,503
Operating liabilities	19,518,145	23,242,724
Income tax liabilities	2,172,582	3,852,235
Liabilities under contracts with buyers	157,520	141,457
Other current liabilities	1,003,919	1,012,098
Total current liabilities	22,911,558	28,446,017
Total capital and liabilities	250,495,388	241,884,809

The **value of capital** in the structure of liabilities to sources of funds as at 31 December 2022 represents 83.1%, an increase of 4.5 percent compared to the end of 2021. The increase (€ 17.9 million) relates to the difference between the net profit for 2022 of € 42.3 million and the dividend payment on 24 June 2022 of € 24.9 million. As at 31 December 2022, the Company holds 264,650 treasury shares after the split of 1:10 as at 15 August 2022 (no treasury share purchases in 2022). There were no other significant movements in capital.

In total capital, the share capital amounts to € 20,229,769.66 and consists of 8,079,770 ordinary ordinary freely transferable parcel shares after a split of 1:10 as at 15 August 2022 (of which 264,650 are treasury shares subscribed in the treasury share pool). The book value per share as at 31 December 2022 is € 25.8 (up 9.6% since the beginning of the year at € 23.5).

Provisions and deferred income account for 7.8% of the liabilities to resources. Provisions for pensions and similar liabilities were made as at 1 January 2006 (severance and jubilee payments) and are adjusted annually on the basis of actuarial calculations. Other provisions were established in the course of the ownership process under environmental provisions. In recent years, the following

additional environmental provisions have been made: € 5 million in 2010 for the rehabilitation of the Bukovžlak solid waste landfill and € 7 million and € 5 million in 2011 for the rehabilitation of the Za Travnik landfill and the destruction of low-level radioactive waste. At the end of 2017, the provisions were scrutinised, verified and only the provision for the elimination of risks due to old loads of € 6.4 million was re-established. At the end of 2022, similarly to the end of 2021, we have re-examined the extent of the provisions and have made/adjusted them accordingly, based on actual market conditions and the reasons for their existence. The volume of environmental provisions decreased by 18% or € 3.3 million over the period under review due to the earmarked increase and at the same time the earmarked coverage of the costs of the above mentioned remediation projects and also the necessary reversal of provisions for which there is no longer an underlying basis. Non-current deferred income increased by 70% (acquisition of funds to co-finance the installation of solar power plants).

Financial and trade payables decreased by 19% compared to the end of the previous year due to a 16% decrease in trade payables, a 20% decrease in trade payables due to repayments to suppliers and a 1% decrease in other current liabilities due to taxes and contributions from payables to employees. The liability for income tax for the financial year 2022 as at 31 December 2022 is 44% lower than the balance at the end of 2021 due to the prepayments made during 2022. All financial and operational liabilities are current in nature. The Company's gross gearing ratio is 16.9%, a decrease of 4.5% compared to the balance at 31 December 2021.

Current financial liabilities as at 31 December 2022 amount to € 59 thousand, at the end of 2021 they amounted to € 198 thousand. The Company's gearing ratio is therefore 0.2 ‰ (0.82 ‰ at the end of 2021).

Current trade payables decreased by 16% over the period. Current trade payables to suppliers amounted to € 19.5 million at the end of 2022, down 20% compared to the end of 2021, due to repayments to suppliers of strategic raw materials. Other payables increased by 1% (or € 67 thousand), mainly consisting of € 2.6 million payable for net salaries and other net employment benefits, € 2 million payable for contributions and taxes from and on remuneration, and payable for VAT and to other institutions.

Other current liabilities decreased by 1% in the period under review. They mainly comprise accrued liabilities for annual leave and other staff costs, accrued environmental contributions and taxes, and VAT on advances made.

3 STAFF

At the end of the year, Cinkarna had 775 employees, a decrease of 18 employees, or 2.3%, compared to the situation at the end of 2021. There are minor changes in the number of employees by business unit.

The largest age group in 2022 was employees aged 50 and over, accounting for 44.1%. This was followed by employees aged between 30 and 50, who accounted for 42.2% of the workforce. The smallest group of employees is made up of employees aged under 30. We are aware of the rising average age of our employees and we are taking several measures to encourage the recruitment of younger staff and to enable young people to develop their professional competences, including by creating a supportive working environment.

In the future, it is planned to continue optimising the staffing structure by rehiring and recruiting new young and technically qualified staff. Investments in development, training and further improvement of the working environment of employees will also continue.

In 2022, we recruited 32 new staff members in various fields of expertise, such as chemistry, electrical, mechanical engineering and economics. The turnover rate was 6.3%, which is significantly below the average for the sector and other comparable companies in the country.

New this year is the My Cinkarna application for employees, which provides access to certain parts of the business information system. Current functionalities include ordering snacks, accessing the number of vacation days, phone book and viewing internal notifications. The application has been well received by the employees and will be extended with new functionalities. The user rate at the end of the year exceeds 70%.

In the field of social work, activities in 2022 included individual problem-solving, the deployment of disabled workers, ergonomics, prevention and the retirement of employees who meet the conditions for retirement.

3.1 Value added at company level

Value added per employee (according to the methodology of the Chamber of Commerce and Industry of Slovenia) is 23% higher than in 2021. Higher costs of goods, materials and services have a negative impact. The number of employees by accrued hours is lower by 5% (35 employees) which will have a positive impact.

	2021	2022	ΔPY%
Turnover	192,462,100	227,153,116	+18
Increase or decrease in stock value	-463,845	14,113,922	-
Capitalised own products and services	3,750,475	2,442,358	-35
Other operating income	1,387,062	7,652,728	+452
Costs of goods, materials and services	111,491,064	151,383,601	+36
Other operating expenses	4,946,860	5,358,227	+8
Value added	80,697,868	94,620,246	+17
Average no. of employees / hours worked	760	725	-5
VA (in €) / employee	106,181	130,511	+23

4 MOST IMPORTANT BUSINESS RISKS

The risk management process is a key process and the cornerstone of the Integrated Management System (IMS). Risks are managed through regulations, performance targets or tasks that are tracked in a protocol.

The risk management system includes risk identification, risk assessment and classification, action, monitoring and reporting. Monitoring and analysis of the external and internal environment provides input for the identification of key risks and opportunities, which is crucial for our operational, tactical and strategic planning in line with our sustainable development objectives.

Identification procedure

The key factors in identifying risks are the uncertainty and significant negative financial consequences that must be perceived by the risk owners in the business unit.

There are two ways to identify risks:

1. Bottom-up recognition is the responsibility and right of all employees in the company. Anyone who identifies a risk to the business in the course of his or her work must immediately inform his or her supervisor, who in turn informs the risk owner, who then enters the risk into the risk database for each risk group.
2. Top-down identification is carried out by risk owners on the basis of information they may receive from the Management Board at the time of any major business decision, project or material change that may have the effect of altering an existing risk or creating a new one.

The sources for identifying the risks that have occurred and are recorded in the codebook are:

- own observations of risks in the performance of regular work tasks and assignments,
- minutes and reports on operations,
- statistics and incident investigation reports,
- findings of internal and external audit and inspection services, auditors or assessors,
- analyses of the economic, political, legislative and operational environment,
- brainstorming with staff or external participants,
- business process studies and
- other sources.

We group individual risks into the following categories:

- I. Sales and procurement risks
- II. Production risks
- III. Financial risks
- IV. Spatial and environmental risks
- V. Human resources and organisational risks
- VI. Support process risks

Risk assessment and classification process

For each of the identified risks, we determine what its negative consequences are. The assessment of risks is carried out by defining the frequency and impact in terms of financial consequences, which are made up of three factors:

- incurrence or increase of costs,
- loss or reduction of revenue,
- mitigation of financial consequences.

The frequency (probability) of occurrence of risks is based on an assessment of the frequency with which each adverse event/risk has occurred in the past or is expected to occur in the future.

The impact (financial consequences) of each event is quantified in monetary units according to how the individual risk affects the Company's results or the amount of damage it may cause.

The basis for calculating the financial implications is the annual revenue plan for the Company and for the individual organisational units.

The qualitative score is calculated using the following formula:

Risk rating = frequency or likelihood of occurrence * (incurrence or increase of costs + loss or reduction of revenue - mitigation of financial consequences)

The assessed risks are classified on the basis of a graduated risk scale, which is defined in terms of value at two levels:

- Corporate risks are risks that, if they materialise, have a significant impact on the Company as a whole or even threaten its existence. Their management is the responsibility of the management of the business units and departments, the Management Board and the Supervisory Board.
- Operational risks are risks that may affect the performance of individual units, but do not represent a significant risk to the business as a whole. They are part of day-to-day operations and work processes. They are managed at the level of one or more organisational units.

Identification of the level of risk (potential impact) – CORPORATE RISKS

Level	Percentage of revenue at Company level of the annual plan in the current year
1- Low	> 2.5% < 5%
2- Medium	> 5% and < 10%
3- High	> 10%

Note: The definition of corporate risks at company level represents the sum of the individual assessments for a given risk at the level of operational units.

Identification of the level of risk (potential impact) – OPERATIONAL RISKS

Level	Percentage of revenue at Company level of the annual plan in the current year
1- Low	< 1%
2- Medium	> 1% and < 5%
3- High	> 5% and < 10%

The process of identifying, assessing and ranking risks is carried out on a regular basis at the end of each quarter of the year and, on an exceptional basis, immediately prior to the preparation of the Company's business plan, whenever a major business decision, project or material change occurs that may have the potential to change an existing risk or create a new one.

Adoption process, implementation of measures

The risks identified and classified in the Risk Register are managed through performance targets (POICs for the current year) and objectives.

Monitoring and reporting

Risk owners report results in writing and verbally at the Management Board's quarterly Broader Expert Colleges.

Responsibilities for the risk management system

The Management Board is directly responsible for the risk management system and its effective functioning. The Board defines the process, oversees it and takes decisions on strategic development, investments, divestments, portfolio of business lines, etc. The risk management system is managed by

key areas and is the responsibility of the team leaders for each risk group. Risks at the corporate level are reviewed quarterly by the Risk Committee, which is composed of all team leaders and a member of the Management Board. The Supervisory Board monitors and is informed of the performance and findings of the risk management and internal control system in accordance with the provisions of the Companies Act (ZGD-1). The external audit verifies the establishment, maintenance and operation of the risk management and internal control system in accordance with the Auditing Act.

The successful operation of a risk and opportunity management system requires the coordinated action of all stakeholders in the system to ensure the successful integration of risk management into the Company's strategic, business and operational processes.

We also communicate to external audiences about the risks of our business and how we manage them in our quarterly and annual reports. The reports are published publicly on SEOnet and on the Company's website www.cinkarna.si.

Corporate risks identified in 2022

Risk group	Risk name	General description at company level	Risk management	Risk level
1- SALES AND PROCUREMENT RISKS	Energy sources	Price uncompetitiveness of our products due to high energy prices (natural gas and electricity)	We conclude contracts, monitor trends and carry out forward purchases of energy products. We negotiate PPAs - long-term power purchase agreements. We implement measures to increase energy efficiency. We systematically increase our own electricity production from renewable sources - solar power plants on buildings, cogeneration of electricity from steam. We are planning to install an EE battery storage to balance consumption during peak periods.	Low
	Key buyers	Loss of market share and revenue due to (price) non-competitiveness with customer expectations compared to price-aggressive competitors	We choose optimal marketing strategies, appropriate sales channels, pre and post sales service, competitive selling prices and quality products, while increasing productivity and reducing production costs. We are also increasing our customer portfolio in so-called spot markets.	Low
	Work items	Loss of revenue due to unforeseen extensions of delivery times throughout the supply chain	We place orders on time, make supplier reservations, look for alternative suppliers and alternative testing procedures. We ensure timely planning of raw material requirements and ordering, adherence to the experience time reserve and, where necessary, increase minimum stock levels. We will develop a "business case" and a "check list" for all strategic raw materials.	Low

	<p>Work items</p>	<p>Loss of production due to failure to supply work items from monopoly suppliers</p>	<p>We pursue the objective of adequate protection by contract. In critical cases, we provide larger stocks. We carry out thorough market research on raw materials and potential substitutes and act on our findings in a timely manner. We undertake accelerated procurement and negotiation activities with existing suppliers to secure the planned quantities of PFA material. We are expanding our supplier base with new suppliers. We are looking for alternatives to PFA material. We are following the announcements of alternative technologies for the processing of titanium bearing ores. We are examining the feasibility and advisability of introducing technological changes to enable the production of titanium dioxide from ilmenite alone. We seek, test and introduce new sources of raw materials for production.</p>	<p>Low</p>
	<p>Legislative compliance</p>	<p>Loss of revenue due to proposed changes in legislation for food contact materials (packaging)</p>	<p>Through the supply chain, we obtain information from customers on the intended use of the product and the requirement to meet the standard. We carry out testing and analysis of titanium migration from masterbatches into model solutions. We are looking for opportunities to offset potential lost sales for incorporation in food contact products with sales for other applications (e.g. agro films, automotive). As a long term measure, we are looking at the possibility of manufacturing the product from suitable raw materials that allow obtaining a standard/certification (FDA).</p>	<p>Low</p>
	<p>Legislative compliance</p>	<p>Revenue loss due to new chemical sustainability strategy</p>	<p>Within the Titanium Dioxide Manufacturers Association (TDMA), we are following the requirements of the new legislation with a working group and initiating the necessary/possible actions both at EU level and individually within the Company.</p>	<p>Low</p>

			<p>Within the TDIC consortium, we are in the process of updating the REACH dossiers in line with the requirements of the European Chemicals Agency (ECHA). To this end, we are also carrying out a broad scientific programme within TDMA, which includes studies on the potential impact of nano and pigmented forms of titanium dioxide on human health.</p>	
<p>2 – PRODUCTION RISKS</p>	<p>Storage and production capacity</p>	<p>Shortfall in volumes due to under-utilisation of production capacity</p>	<p>We are taking measures to increase the efficiency and availability of facilities. We are organising multi-shift working. We are increasing our search for missing staff. We are adapting storage capacity (additional silos and tanks) and logistics to production needs.</p>	<p>Medium</p>
<p>3 – FINANCIAL RISKS</p>	<p>Credit risk (payments by buyers)</p>	<p>Loss of revenue due to non-payment by buyers whose receivables are not secured, which represents a smaller share</p>	<p>The Company applies internal credit control for each individual buyer, who is assigned an individual credit limit based on payment discipline, credit rating and good standing with the Company. The credit risk monitoring and management process was further enhanced in mid-2021 with the advent of receivables insurance with an external institution where credit limits are set, monitored and changed on a daily basis. In addition to the regular monitoring of the credit limit for each buyer, the payment discipline of the buyer and the publication on Ajpes of proceedings under the Act on Financial Management, Insolvency and Compulsory Winding-up Proceedings (ZFPIPP) are monitored on a daily basis. Also, as the receivable becomes due, the buyer is reminded of the due date of the receivable by a reminder, firstly by telephone and then in writing, and default interest is charged from the due date until the date of payment. Updated information is obtained on a regular basis for more accurate cash flow planning. Detailed, well thought out and accurate cash flow.</p>	<p>Low</p>

	Liquidity risk (payments by buyers)	Loss of payments within agreed deadlines due to customer insolvency or indiscipline, which may cause liquidity problems for the Company	Traditional payment discipline of a company with no bank debts and stable cash flows. The Company's business is traditionally conservative with high cash flow. Liquidity management comprises, among other things, planning expected cash commitments and covering them on a daily, weekly, monthly and annual basis, ongoing monitoring of the solvency of buyers and regular collection of overdue receivables. Updated information is obtained on a regular basis for more accurate cash flow planning, which is elaborate, deliberate and precise.	Low
	Currency risk	Loss of revenue and higher costs due to the euro/dollar exchange rate on the purchase of materials and raw materials in US dollars (titanium-bearing raw materials, partly copper compounds)	We continuously monitor the movements and forecasts of the £/\$ currency pair. In principle, we limit the short-term risk of adverse changes in the \$ exchange rate through the standardised and consistent use of financial instruments (dollar forwards). We regularly obtain more accurate data for forward purchases of foreign exchange.	Low
4 - SPATIAL AND ENVIRONMENTAL RISKS	Climate risks	Occurrence of acute or chronic physical risks caused by climate change (drought, heat waves, storms, etc.)	We are increasing our use of water from indoor recycling. We are implementing a project to feed production with an alternative source of process water. We maintain facilities, correct deficiencies, identify and eliminate potential hazards.	High

	<p>Security</p>	<p>Negative impact on the Company's business due to a natural disaster (such as an earthquake or major flood, lightning strike, ice storm, etc.)</p>	<p>We carry out activities in accordance with the preventive actions set out in the Register of Potential Hazards to the Environment and Employees (Rules, OP, compliance with storage instructions in the flooded part of the site, ongoing cleaning of shafts and maintenance of facilities, ND, measurements, preventive and periodic inspections, etc.). When designing new buildings, we take into account earthquake protection standards and regulations. Existing ones are inspected and maintained.</p> <p>The Company is flood-proofed with a wall to prevent water ingress in the event of flooding. We have pump stations in place to pump out any excess water. We regularly inspect and maintain lightning conductors and earthing systems.</p>	<p>Medium</p>
	<p>Security</p>	<p>Negative impact on the Company's operations due to an industrial accident (fire, explosion, spillage, etc.)</p>	<p>Risk is managed by systematically evaluating the impact on the environment and employees, periodic fire risk assessments and by organising jobs according to risk assessment. In the area of environmental impact reduction, we have systematically implemented European environmental standards by applying the principles of the "Responsible Care Programme" and harmonising our operations with the requirements of the IED and the SEVESO Directive. We carry out internal assessments of the adequacy of the implemented measures required by the SEVESO permit and remedy the identified shortcomings. We update our Environmental Risk Reduction Plan (ERRP) in the light of changes. We carry out our processes in accordance with BAT (Best Available Techniques). With regard to fire safety, we have our own fire brigade and the Company is adequately fire-protected. In the area of accidents at work, we have a professional service</p>	<p>Low</p>

			<p>organised to monitor compliance with health and safety rules and measures. We provide regular training and education for our employees. The Company is insured against liability for damages. We conclude written agreements with external contractors and train them. We have engaged a permanent Health and Safety Coordinator. We have introduced work instructions for carrying out maintenance operations in terms of fire prevention, accident prevention and improving the cleanliness of the working environment. Since 2009, we have ISO 14001 environmental management and ISO 45001 health and safety management systems in place, certified and monitored by an accredited institution.</p>	
	Old burdens	Removing old burdens	<p>ONOB and barrier bodies, with their specific materials, represent old burdens for which we also have an environmental reservation. We are carrying out activities for the rehabilitation of the Bukovžlak Non-hazardous Waste Disposal Site (ONOB).</p> <p>Technical observation and monitoring is regularly carried out in the area of high embankment barriers (Bukovžlak and Za Travnik). Based on the results of the monitoring, systematic and long-term maintenance measures are implemented to ensure the stability of the barrier bodies.</p>	Low
	Legislative compliance	Loss of production and increase in costs due to non-compliance with spatial planning acts	<p>We are in the process of confirming amendments to the ZN documentation for the red gypsum fill site at the Za Travnik waste disposal facility. We have submitted an amendment petition to all three municipalities concerned. The terms and conditions for the signing of the contract between the municipalities are being coordinated.</p>	High

	<p>Legislative compliance</p>	<p>Imposition of penalties in the event of non-compliance with the requirements of the Soil Contamination Assessment</p>	<p>We are implementing the measures set out in the findings of the Report on the Review of Technical Measures to Prevent Contamination of Soil and Groundwater. We need to ensure that catch basins, platforms, storage soils, drains, and transport routes are fully sealed to prevent contamination of soil and groundwater with the hazardous substances concerned.</p>	<p>Low</p>
<p>5 - HUMAN RESOURCES AND ORGANISATIONAL RISKS</p>	<p>Competence and availability of staff</p>	<p>Loss of production and revenue due to incomplete succession policies and inadequate staff competences</p>	<p>We have a recruitment system in place - each post has a job training programme and a mentor.</p> <p>As part of the 2023 performance targets, we are establishing a system to inventory all specific and generic skills in the Company for all business units/services, a renewed onboarding system for new hires, and a verification of existing skills for employees with a simultaneous revision of the competency model. Based on the revised competencies by job, employees will be trained in areas with competency gaps. The training plan includes a number of additional external training courses for employees in the areas of planning, lean production and IT.</p> <p>We are working to maintain the active status of existing chartered engineers.</p> <p>We have inventoried the key positions in the Company, identified possible successors, defined the time until the necessary replacement and the additional competences required.</p> <p>For the most promising candidates, we run a leadership development programme, the Leadership Academy.</p>	<p>Low</p>

	Competence and availability of staff	Loss of production and revenue due to staff shortages, untimely replacements and inadequate organisation of work	<p>We strive to identify staffing and recruitment needs in a timely manner, with the aim of ensuring an appropriate education, skills and age structure.</p> <p>We continuously implement organisational change and adapt agilely to new circumstances.</p> <p>In addition to traditional recruitment methods, we use innovative recruitment solutions via social networks to find new employees. We have staff scholarships available. We have deepened our cooperation with secondary schools. We provide students with compulsory internships and student work. We give students the opportunity to work on their bachelor's, master's and doctoral theses in the Company.</p>	Low
	Legislative compliance	Imposing penalties on the Company and the persons responsible and compensation for breaches of labour law	<p>We regularly monitor changes in legislation and implement them in our system.</p> <p>We organise meetings with business units, keep each other informed and take action to correct any non-compliance.</p> <p>We maintain an open dialogue with the social partners.</p>	Low
6 - SUPPORT PROCESS RISKS	Digitalisation	Loss of production and competent workforce due to slow digitalisation of control and management processes	<p>The implementation targets cover the implementation of a new maintenance information system and the introduction of a predictive maintenance system.</p> <p>We are continuously updating, upgrading and integrating existing IT systems.</p>	Low
	Security	Outage due to failure of the server system for the management system	We are continuously upgrading critical infrastructure.	Low

5 DATA ON SHARES AND OWNERSHIP STRUCTURE

5.1 Ownership structure

The share capital of Cinkarna Celje d.d., amounting to € 20,229,769.66, is divided into 8,079,770 ordinary freely transferable bulk shares. The Company's treasury stock at the end of the period comprised 264,650 shares (or 3.28% of the total issue). The number of shareholders at the end of the period was 2,321. The ownership structure at the end of the period is shown in the table below.

Share ownership structure of Cinkarna Celje d.d.

	No. of shares	%
SDH, d.d.	1,974,540	24.44
Modra zavarovalnica, d.d.	1,629,630	20.17
UNICREDIT BANK AUSTRIA AG - FID	364,840	4.52
TR5 d.o.o	318,170	3.94
Own shares	264,650	3.28
KRITNI SKLAD PRVEGA POKOJNINSKEGA SKLADA	167,050	2.07
RAIFFEISEN BANK AUSTRIA D.D. - FID	161,460	2.00
CITIBANK N.A. - FID	111,600	1.38
NLB SKLADI - SLOVENIA MIXED FUND	100,990	1.25
Generali Rastko European Equity Fund	85,110	1.05
Generali Galileo Mixed Flexible Fund	84,302	1.04
Internal shareholders - FO	59,932	0.74
External shareholders - FO	1,812,539	22.43
Other	944,957	11.69

5.2 Share trading

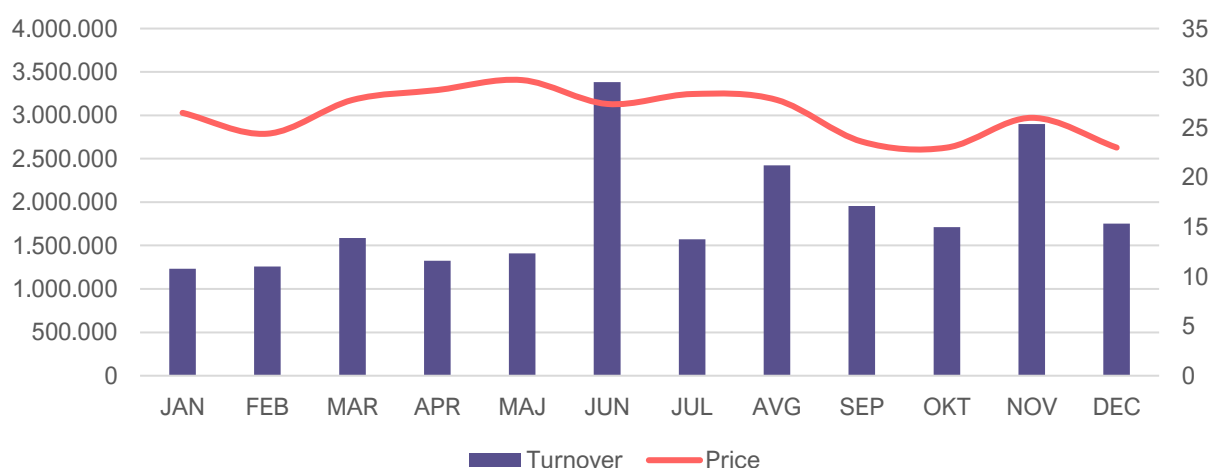
The CIGG shares of Cinkarna are traded on the over-the-counter market. The first day of trading was 6 March 1998. The single share price on that day was € 33.71. As from 16 August 2022, trading and settlement of transactions are carried out under the new regime. The quantity of shares on the market was increased and their price was reduced (divided by 10).

Movement in the market value of shares (single price on the last day of the month) and the value of turnover:

	Single price		Turnover
	2021	2022	2022
JAN	18.6	26.5	1,231,506
FEB	20.0	24.4	1,257,656
MAR	20.6	27.8	1,585,006
APR	21.5	28.8	1,324,110
MAY	23.2	29.8	1,410,706
JUN	22.9	27.4	3,381,204
JUL	23.3	28.4	1,571,626
AUG	24.8	27.8	2,425,416
SEP	23.8	23.6	1,954,759
OCT	24.0	23.0	1,713,666
NOV	25.9	26.0	2,897,972
DEC	25.9	23.0	1,753,453

The value of the share of Cinkarna Celje d.d., listed in the first quotation of the Ljubljana Stock Exchange (CIGG), fluctuated between € 22.4/share and € 32.0/share during the period under review. From the last trading day of 2021 to the last trading day of the period under consideration, the value of the share is 11% lower.

Share price (right axis) and stock turnover (left axis) by month in 2022



6 FOUNDATIONS OF DEVELOPMENT

6.1 Investments

In 2022, we spent € 10.54 million on investments, the purchase of fixed assets and replacement equipment, and environmental investments, representing just under 70% of the planned budget for 2022.

The realisation in the area of investments is 56%. We are behind schedule due to a conglomerate of factors, the most important of which are the search for a suitable solution, the procedures for preparing the documentation, the long delivery times and the lack of human resources. For replacement equipment, the realisation is 108%. Here we slightly exceeded the plan, mainly due to the sharp extension of delivery times. In fact, stock-outs of materials can seriously jeopardise our operations. The largest deviations from the plan are in the area of fixed asset purchases, where we are underperforming by 43%. The reasons for the underperformance are similar to those for investments.

As usual, the largest part of our investment this year was in titanium dioxide production to continue the activities of a multi-year project.

The third line of the second stage of neutralisation of waste acid has been successfully completed with a technical inspection and an operating licence.

An additional sand mill for grinding the calcinate after wetting has been delivered. In 2023, the room preparation and installation will be completed. The mill is planned to be commissioned in Q2.

We continued with the planned work on the implementation of dust control measures in the production of titanium dioxide. An additional flocculant unit was installed to allow the addition of a different flocculant to accelerate the settling of the suspensions at the White and Final Processing.

We continue to successfully build solar power plants. On the energy front, we have also invested in optimising the steam pipeline and have carried out activities to enable one of the calcination furnaces to burn ELKO. We also carried out investment work on the rehabilitation of individual facilities (TiO₂ Operational Maintenance Building - Phase III, replacement of windows in the powder coating production facility at BU KM).

The main part of the funds planned for the use of environmental provisions (36%) was earmarked for the rehabilitation of the Bukovžlak Non-hazardous Waste Landfill. A test field for the new C1 drainage under the Bukovžlak high embankment barrier was carried out and an expert report on the implementation was obtained, which is the basis for the design of the complete drainage line.

6.2 Development activity

Several development tasks and assignments are being carried out in all organisational units, with the aim of introducing improvements to existing technological processes, products and services. Some of the most important are highlighted below:

- **Sustainable development and the circular economy**
- **Diversification of production programmes**
- **Determination of the maximum possible production volume of titanium dioxide**

- **Development of nano TiO₂ based products**
- **Development of a copper hydroxide synthesis process**
- **Development of thin film dispersions resistant to chemical attack and suitable for Ex applications**
- **Development of powder coatings**
- **Development of masterbatches**
- **Integrated management of titanium dioxide production water**

6.3 Quality assurance

An integral part of the management of Cinkarna Celje d.d. is an integrated management system covering the basic elements of management and operations for all the Company's activities, in accordance with the requirements of ISO 9001 (Quality Management System), ISO 14001 (Environmental Management System), ISO 45001 (Occupational Health and Safety Management System) and, for the Mozirje site, the EMAS regulation. The compliance of the system's operation with the requirements of the standards is verified annually by the certification body SIQ (Slovenian Institute for Quality and Metrology). In 2022, one non-compliance was identified and corrected, and recommendations for improvement were made, which were taken into account. In accordance with the requirements of the EMAS Directive, an environmental statement was drawn up for the Kemija Mozirje business unit.

The number of customer complaints, concerns and comments is regularly monitored and responded to with corrective actions. In 2022, there were 8 complaints, 5 of which were unjustified, which were resolved to ensure customer satisfaction.

We are continuing our activities on a project aimed at introducing new grades of titanium dioxide. We are carrying out optimisations in individual production processes in a planned sequence, which should help to raise the quality level of our pigments. The main objective for this year is to stabilise the quality parameters at the required levels, which have been achieved from time to time in the past year.

6.4 Environmental management

In the area of the environment, we have three sets of indicative targets for 2022. They are aimed at addressing environmental risks, sustainable development and ensuring regulatory compliance.

I. Measures to address environmental risks

II. Sustainable development and the circular economy

As part of sustainable development and the circular economy, we have set targets in seven areas.

1. Use of renewable resources
2. Carbon footprint
3. Energy efficiency
4. Amount of waste
5. Re-use of materials
6. Reduction of emissions into the working and outdoor environment
7. Supporting social activities in the local community

III. Maintain/ensure regulatory compliance

As part of our strategic planning for decarbonisation, we are investing in projects to increase energy efficiency and the use of renewable energy. Some investments are already underway, others are in development or under feasibility studies.

6.5 Safety and health

We are constantly striving for improvement in occupational health and safety and we set ourselves targets every year. Our overarching objective is "zero injuries at work". We regularly monitor progress towards this objective and each year we set short-term performance targets to help us achieve our overarching objective. We operate in accordance with ISO 45001 - Occupational Health and Safety.

The occupational health and safety tasks are carried out by the Occupational Health and Safety Department, which is subordinate to the Management Board of the Company, so that the employees who carry out the occupational health and safety tasks are independent of the service users in their decision-making. We ensure compliance with legislative requirements in the field of occupational health and safety and fire safety. We actively work to reduce accidents at work and improve working conditions by introducing activities to identify, record and eliminate potential hazards and near misses in the working environment. We take preventive fire-safety measures to prevent fires, and we regularly monitor, inspect and service fire-fighting equipment to ensure active fire protection.

In 2022, we were re-certified under the Responsible Care Programme. This demonstrates our voluntary commitment to continuous improvement in environmental, health and safety performance.

Our three main objectives in the field of occupational health and safety are:

1. Zero injuries at work - the overarching objective

It is a long-term objective to which all other objectives are subordinate. It is being pursued step by step through various preventive actions and improvements.

2. Improvements in occupational safety, health and fire safety

We tackle the potential causes of occupational injuries by identifying and breaking down process risks that can have a negative impact on health and safety at work.

3. Organisation and implementation of employee health promotion

We regularly promote employee health through a programme that is adapted each year.

There were no serious occupational injuries in the 5-year period, nor were there any deaths or occupational diseases.

In addition to accidents at work, near misses and potential hazards are monitored and the causes or prevention of accidents are regularly recorded and addressed. In 2022, we identified 85 potential hazards, which we are addressing on an ongoing basis, and 7 near misses. A "Minute for Safety" activity was carried out among production workers at various times and in different formats, with the aim of briefly discussing the progress of the shift and any potential hazards identified in the individual plants before the start of each shift. In addition, in the event of an injury at work, they discuss the causes that led to the particular incident and other topical issues relating to safe and healthy work.

7 FINANCIAL STATEMENTS

7.1 Income statement

Income statement for the period from 1 January to 31 December

	2022	2021
Revenue from contracts with buyers	227,153,116	192,462,100
- Revenue from contracts with buyers domestic market	18,781,919	17,355,361
- Revenue from contracts with buyers foreign market	208,371,196	175,106,738
Change in the value of stocks of products and work in progress	14,113,923	-463,845
Capitalised own products and own services	2,442,358	3,750,475
Cost of goods and materials sold	200,613	140,470
Cost of materials	134,953,778	97,519,612
Cost of services	16,229,210	13,830,982
Labour costs	29,483,416	28,888,986
a) Wage costs	20,807,538	20,157,542
b) Social security costs	1,713,847	1,645,550
c) Pension costs	2,432,717	2,376,228
č) Other labour costs	4,529,314	4,709,667
Depreciation	12,150,684	11,281,415
Other operating revenue	7,652,728	1,387,062
Other operating expenditure	6,524,763	5,468,743
Impairments and write-offs of trade receivables	1,553	28,975
Operating profit or loss	51,818,107	39,976,608
Financial revenue	1,564,464	809,100
Financial expenditure	2,024,533	829,203
Financial result	-460,070	-20,103
Profit or loss before tax	51,358,038	39,956,505
Accrued tax	8,595,019	7,006,296
Deferred tax	-466,158	276,914
Income tax	9,061,177	6,729,381
Net profit for the year	42,296,861	33,227,124
Basic and diluted earnings per share	5.23	4.11

7.2 Company's statement of financial position

Company's statement of financial position

	31/12/2022	31/12/2021
ASSETS		
Non-current (long-term) assets		
Intangible assets	1,208,224	980,672
Tangible fixed assets	104,083,017	105,896,129
Land	9,604,509	9,676,850
Buildings	41,616,487	42,300,197
Plant and machinery	41,447,746	44,344,912
Other plant and equipment	46,211	49,211
Tangible fixed assets under construction or in production	10,276,338	9,172,421
Advances for acquisition of tangible fixed assets	1,091,727	352,537
Financial assets at fair value through other comprehensive income	1,973,765	1,651,099
Financial receivables	0	0
Trade receivables	0	0
Other non-current assets	68,049	53,028
Deferred tax assets	1,464,527	1,930,685
Total non-current (long-term) assets	108,797,582	110,511,613
Current assets		
Assets held for sale	0	0
Stocks	72,064,156	40,298,476
Material	44,515,358	26,842,350
Work in progress	3,266,936	2,471,875
Products and merchandise	24,216,888	10,921,232
Advances on stocks	64,974	63,018
Assets under contracts with buyers	0	0
Financial receivables	0	0
Trade receivables	24,290,543	31,172,903
Receivables from buyers	22,087,040	29,148,099
Other receivables	2,203,503	2,024,804
Income tax receivable	0	0
Cash and cash equivalents	45,210,098	59,746,594
Other current assets	133,009	155,223
Total current assets	141,697,806	131,373,196
Total assets	250,495,388	241,884,809

Company's statement of financial position (cont.)

	31/12/2022	31/12/2021
CAPITAL AND LIABILITIES		
Owners' capital		
Called-up capital	20,229,770	20,229,770
Capital reserves	44,284,976	44,284,976
Profit reserves	122,972,599	101,824,169
Statutory reserves	16,931,435	16,931,435
Reserves for own shares	4,814,764	4,814,764
Own shares	-4,814,764	-4,814,764
Other profit reserves	106,041,164	84,892,734
Fair value reserve	-634,690	-1,179,702
Retained earnings	21,232,589	25,006,577
Total capital	208,085,244	190,165,790
Non-current liabilities		
Provisions for employee benefits	3,651,696	4,256,064
Other provisions	15,527,884	18,828,856
Non-current deferred income	319,007	188,082
Financial liabilities	0	0
Trade payables	0	0
Obligations under contracts with buyers	0	0
Deferred tax liabilities	0	0
Total non-current liabilities	19,498,587	23,273,002
Current liabilities		
Liabilities included in disposal groups	0	0
Financial liabilities	59,392	197,503
Trade payables	19,518,145	23,242,724
Payables to suppliers	14,898,860	18,690,237
Other payables	4,619,285	4,552,487
Income tax payable	2,172,582	3,852,235
Liabilities under contracts with buyers	157,520	136,087
Other current liabilities	1,003,919	1,017,468
Total current liabilities	22,911,558	28,446,017
Total liabilities	42,410,144	51,719,019
Total capital and liabilities	250,495,388	241,884,809

7.3 Statement of changes in equity

Statement of changes in equity in 2022

CINKARNA Metalurško-kemična industrija Celje d.d.	Called-up capital	Capital reserves	Profit reserves				Fair value reserves	Retained earnings		Total capital
			Statutory reserves	Reserves for own shares	Own shares	Other profit reserves		Profit or loss carried forward	Net profit for the year	
Opening balance of the period	20,229,770	44,284,976	16,931,435	4,814,794	-4,814,794	84,892,734	-1,179,702	86,234	24,920,343	190,165,790
Changes in equity –										
Transactions with owners								24,922,418		24,922,418
Purchase of own shares										0
Withdrawal of own shares										0
Payment of dividends								24,922,418	0	24,922,418
Total comprehensive income of the period							545,012	0	42,296,861	42,841,872
Entry of net profit or loss for the period									42,296,861	42,296,861
Other components of comprehensive income of the period							545,012			545,012
B3. Changes in equity						21,148,429		24,920,343	-46,068,772	0
Allocation of the residual part of net profit for the period to other components of capital										0
Allocation of part of reported net income to other components of capital as decided by management and supervisory bodies							21,148,429	0	24,920,343	-46,068,772
Creation of reserves for own shares										0
Release of reserves for own shares										0
Closing balance of the period	20,229,770	44,284,976	16,931,435	4,814,794	-4,814,794	106,041,163	-634,690	84,159	21,148,431	208,085,243
DISTRIBUTABLE PROFIT								84,159	21,148,431	21,232,589

Statement of changes in equity in 2021

CINKARNA Metalurško-kemična industrija Celje d.d.	Called-up capital	Capital reserves	Profit reserves				Fair value reserves	Retained earnings		Total capital
			Statutory reserves	Reserves for own shares	Own shares	Other profit reserves		Profit or loss carried forward	Net profit for the year	
Opening balance of the period	20,229,770	44,284,976	16,931,435	3,900,280	-3,900,280	77,500,437	-647,812	5,151,743	11,370,393	174,820,942
Changes in equity –										
Transactions with owners				914,484	-914,484			16,435,902		16,435,902
Purchase of own shares				914,484	-914,484					0
Withdrawal of own shares										0
Payment of dividends								16,435,902		16,435,902
Total comprehensive income of the period							-531,889	0	33,227,124	32,695,235
Entry of net profit or loss for the period									33,227,124	33,227,124
Other components of comprehensive income of the period							-531,889			-531,889
B3. Changes in equity						7,392,297		11,370,393	-19,677,174	-914,484
Allocation of the residual part of net profit for the period to other components of capital										0
Allocation of part of reported net income to other components of capital as decided by management and supervisory bodies							8,306,781	11,370,393	-19,677,174	0
Creation of reserves for own shares							-914,484			-914,484
Release of reserves for own shares										0
Closing balance of the period	20,229,770	44,284,976	16,931,435	4,814,764	-4,814,764	84,892,734	-1,179,701	86,234	24,920,343	190,165,790
DISTRIBUTABLE PROFIT								86,234	24,920,344	25,006,577

7.4 Cash flow statement for the period

Cash flow statement for the period from 1 January to 31 December

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit or loss before tax	51,358,038	39,956,505
Adjustments for:	12,852,953	11,808,839
Amortisation and depreciation +	12,150,684	11,281,415
Profit/loss on sale of fixed assets	-7,253	-3,331
Impairment/write-down (reversal of impairment) of assets	1,168,039	521,883
Net decrease/increase in allowance for receivables	1,553	28,975
Net financial income/expenditure	-460,070	-20,103
Cash flow from operating activities before change in net current assets (working capital)	-43,503,927	-1,177,784
Change in trade receivables	6,882,359	-4,413,917
Change in stocks	-32,933,719	-4,773,871
Change in trade payables	-3,724,579	9,910,735
Change in provisions	-7,444,358	1,743,878
Change in deferred income	130,924	-95,964
Change in other current liabilities	-13,549	-62,336
Change in liabilities under contracts with buyers	21,432	-56,695
Income tax paid	-6,422,438	-3,429,614
Net cash flow from operating activities	20,707,064	50,587,560
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	43,512	59,749
Income from interest earned	20,235	7,446
Income from interest earned on dividends	16,025	13,915
Income from disposal of tangible fixed assets	7,253	3,331
Income from disposal of current financial assets	0	35,056
Expenditure on investments	-10,223,830	-11,325,408
Expenditure on acquisition of intangible assets	-436,676	-105,479
Expenditure on acquisition of tangible fixed assets	-10,109,820	-11,219,929
Expenditure on acquisition of investments	322,666	0
Net cash flow from investing activities	-10,180,317	-11,265,659
Cash flows from financing activities		
Income from financing activities	0	137,412
Income from increase in financial liabilities	0	137,412
Expenditure on financing activities	-25,063,243	-17,370,542
Expenditure on repayment of financial liabilities	-138,110	-3,552
Expenditure on interest paid	-2,715	-4,189
Expenditure on purchase of own shares	0	-914,484
Expenditure on repayment of dividends and other profit shares	-24,922,418	-16,448,317
Net cash flow from financing activities	-25,063,243	-17,233,130
Closing balance of cash and cash equivalents	45,210,098	59,746,594
Net increase/decrease in cash and cash equivalents	-14,536,496	22,088,770
Opening balance of cash and cash equivalents 1.1.	59,746,594	37,657,824

7.5 Statement of other comprehensive income

Statement of other comprehensive income for the period from 1 January to 31 December

	2022	2021
Net profit	42,296,861	33,227,124
Other comprehensive income for the year	0	0
Other comprehensive income for the year that will not be recognised in the income statement in the future	0	0
Other comprehensive income for the year that will be recognised in the income statement in the future	0	0
Change in fair value of financial assets	322,666	-103,927
Translation of post-employment benefits	222,345	-408,216
Impact of deferred taxes	0	-19,746
Net other comprehensive income in the year that will not be recognised in the income statement in the future	545,012	-531,889
Total other comprehensive income for the year (after tax)	545,012	-531,889
Total comprehensive income for the year (after tax)	42,841,872	32,695,234

8 NOTES TO THE FINANCIAL STATEMENTS

1 Reporting by segment

Sales by business segment

	In €	
	2022	2021
Titanium dioxide	187,495,664	156,788,783
Zinc processing	8,240,209	6,364,355
Varnishes, mastics and printing inks	18,516,808	17,687,588
Agro programme	8,399,825	7,990,692
Other	4,500,610	3,630,682
TOTAL	227,153,116	192,462,100

Sales by regional segment

	In €	
	2022	2021
Slovenia	18,781,919	17,355,361
European Union	173,950,706	142,500,353
Market of the former Yugoslavia	4,959,791	4,383,469
Third countries	27,117,372	24,693,293
Third countries – dollar market	2,343,328	3,529,624
TOTAL	227,153,116	192,462,100

Operating profit by business segment

	Titanium dioxide – pigments		Zinc processing		Varnishes, mastics, and printing inks		Agro programme		Other		Total	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
	Revenue from cont. with buyers	156,788,783	187,495,664	6,364,355	8,240,209	17,687,588	18,516,808	7,990,692	8,399,825	3,630,681	4,500,610	192,462,100
Other op. income	1,152,824	7,200,758	2,058	7,467	20,812	34,273	30,340	21,777	3,931,503	2,830,810	5,137,537	10,095,085
Change in value of stocks	-709,213	13,624,957	55,962	45,758	-76,227	767,982	275,758	-494,589	-10,125	169,815	-463,845	14,113,923
Operating costs	-117,981,010	-156,541,465	-6,259,407	-8,112,153	-15,351,019	-16,451,077	-8,338,342	-7,864,834	-9,229,407	-10,574,488	-157,159,184	-199,544,017
-of which depreciation	-6,142,369	-7,367,314	-95,229	-79,813	-479,852	-395,688	-330,947	-292,084	-4,233,017	-4,015,785	-11,281,415	-12,150,684
Operating profit	39,251,384	51,779,914	162,969	181,281	2,281,154	2,867,986	17,172	62,179	-1,736,071	-3,073,253	39,976,608	51,818,107
Interest income											12,284	20,235
Other financial income											13,915	16,025
Interest expense											-4,189	-2,714
Other financial expenses											-42,113	-493,615
Financial result	0	0	0	0	0	0	0	0	0	0	-20,103	-460,069
Deferred taxes											276,914	-466,158
Income tax											-7,006,296	-8,595,019
Net profit	0	0	0	0	0	0	0	0	0	0	33,227,123	42,296,861

2 Revenue from contracts with buyers

Revenue from contracts with buyers consists of the sales values of products, merchandise, materials and services sold during the accounting period. A breakdown of net sales revenue by business segment and region is shown above.

	In €	
	2022	2021
Net revenue from contracts with buyers of products and services	226,584,095	192,179,884
Net revenue from contracts with buyers of goods and materials	569,021	282,216
TOTAL	227,153,116	192,462,100

3 Other operating income

	In €	
Income	2022	2021
Selling emission allowances	0	436,560
Proceeds from the use and release of non-current provisions	505,649	507,543
Gains on sale and write-down of assets	7,253	3,331
Proceeds from Covid-19 state support *	334,430	35,149
Recoveries of written-off receivables	0	8,498
Revenue from previous years	23,763	109,289
Compensation received	6,720,162	124,892
Other income	61,471	161,801
TOTAL	7,652,728	1,387,062

*Income relates to reimbursement claims received for isolation (Covid disease). The Company also received € 300,000 in aid in May 2022 under the Act on Measures to Mitigate the Effects of the Rise in Energy Prices in the Economy and Agriculture (ZUOPDCE) published in the Official Journal of the Republic of Slovenia No 29 (4 March 2022). The beneficiary of the aid due to the rise in energy prices was a legal entity whose energy costs will increase by more than 40% in 2022 compared to the year 2021. The amount of the aid was determined on the basis of the actual size of the net turnover in 2019 and the share of energy costs in the total operating expenditure in 2019. Taking into account the criteria and the calculated amount, the aid was granted in the amount of € 300,000 and was also paid into the Company's transaction account in May 2022.

4 Costs by natural type

	In €	
	2022	2021
Cost of materials and goods sold	200,613	140,470
Cost of materials	134,953,778	97,519,612
Cost of services	16,229,210	13,830,982
Labour costs	29,483,416	28,888,986
Depreciation and amortisation	12,150,684	11,281,415
Other operating expenses	6,524,763	5,468,743
Impairments and write-offs of trade receivables	1,553	28,975
TOTAL	199,544,017	157,159,184

5 Labour costs

	In €	
Labour costs	2022	2021
Wages and allowances	20,807,538	20,157,542
Social security contributions	3,718,924	3,611,188
Reimbursement of expenses and other employee benefits	4,529,314	4,709,667
Supplementary pension insurance	427,640	410,590
TOTAL	29,483,416	28,888,986

As at 31 December 2022, the Company employed 775 persons. The average number of employees was 776.

6 Depreciation and amortisation

The Company depreciates fixed assets on a straight-line basis over the expected useful life of each fixed asset. Depreciation is charged to the cost of each fixed asset.

	In €	
Description	2022	2021
Depreciation and amortisation		
- Intangible assets	209,123	224,513
- Easements	72,342	72,342
- Buildings	3,271,577	3,203,086
- Production equipment	8,592,476	7,775,865
- Other equipment	5,166	5,610
TOTAL	12,150,684	11,281,415

7 Operating expenses

Operating expenses

Expenditure	In €	
	2022	2021
Cost of materials	134,953,778	97,519,612
Cost of services	16,229,210	13,830,982
Cost of materials and goods sold	200,613	140,470
Other operating expenses	6,524,763	5,468,743
TOTAL	157,908,364	116,959,808

Other operating expenses

Other operating expenses	In €	
	2022	2021
Provisioning for the environment	3,962,991	3,701,214
Environmental fees and refunds	393,070	464,162
Awards to students and trainees	225,487	265,503
Building land use allowance	562,120	367,738
Revaluation of stocks of materials and goods	1,024,662	386,724
Loss on sale (disposal) of fixed assets	143,377	135,159
Other costs and expenses	213,057	148,243
TOTAL	6,524,763	5,468,743

8 Financial income and expenditure

Income	In €	
	2022	2021
Interest and investment income	20,235	12,284
Income from dividends	16,025	13,915
Total financial income	36,259	26,199
Net exchange differences	-457,614	-25,670
Interest costs	-2,715	-4,189
Interest on provisions for severance and jubilee payments	-36,000	-16,443
Total financial expenditure	-496,329	-46,302
Net financial result	-460,070	-20,103

9 Income tax

The income tax charge at the effective tax rate of 16.7% amounts to € 8,595,019.

10 Intangible assets

Group of intangible assets for 2022	In €					
	Acquisition value		Value adjustment		Undepreciated value	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Property rights	5,845,554	5,633,593	4,907,487	4,744,346	938,067	889,248
Assets under acquisition	270,158	91,424	0	0	270,158	91,424
TOTAL	5,725,018	5,555,304	4,907,487	4,744,346	1,208,224	980,672

Intangible assets have finite useful lives. The Company has reviewed their values and determined that their present value does not exceed their recoverable amount.

11 Tangible fixed assets

Group of tangible fixed assets for 2022	In €					
	Acquisition value		Value adjustment		Undepreciated value	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Land	10,803,263	10,803,263	1,198,754	1,126,413	9,604,509	9,676,850
Buildings	128,674,115	126,487,363	87,057,629	84,187,165	41,616,487	42,300,197
Equipment	225,138,242	227,909,652	183,644,286	183,515,529	41,493,957	44,394,123
Assets under acquisition	10,276,338	9,172,421	0	0	10,276,338	9,172,421
Advances	1,091,727	352,537	0	0	1,091,727	352,537
TOTAL	375,983,686	374,725,236	271,900,668	268,829,107	104,083,017	105,896,129

The Company has reviewed their values and determined that their present value does not exceed their recoverable amount. The Company does not have any assets under financial leases, nor any assets pledged as collateral as at 31 December 2022.

12 Financial assets

Group of financial assets for 2022	Acquisition value		Value adjustment		Fair value	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	Other investments	2,077,692	1,755,026	103,927	103,927	1,973,765
TOTAL	2,077,692	1,755,026	103,927	103,927	1,973,765	1,651,099

Investments in shares of Elektro Celje and Elektro Maribor are valued using the fair value model and represent less than 1% of the total shares of these companies. The Company has reviewed the value of the investments and recorded an increase in their cost of €322,666 and an increase in the revaluation reserve.

The members of the Management Board and Supervisory Board have not received any long-term loans. Cinkarna Celje d.d. has no other subsidiaries or associates and does not deal with any related parties.

13 Other non-current assets

Group of other non-current assets for 2022	Acquisition value		Value adjustment		Undepreciated value	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	Emission allowances	68,049	53,028	0	0	68,049
TOTAL	68,049	53,028	0	0	68,049	53,028

In 2022, the Company surrendered 25,376 CO2 emission allowances to ARS-U for the 2021 financial year and received 40,397 allowances for the 2022 financial year based on its decision.

14 Deferred tax assets and liabilities

Deferred tax assets	31/12/2022	31/12/2021
Provisions for environmental purposes	1,193,940	1,491,515
Provisions for post-employment and other long-term benefits	290,049	367,967
Trade receivables	285	90,948
Total deferred tax assets	1,484,273	1,950,431
Deferred tax liabilities	-19,746	-19,746
Balance	1,464,527	1,930,685

15 Current financial investments

As at 31 December 2022, the Company has no financial investments.

16 Stock

Group of stocks	31/12/2022	31/12/2021	Carrying amount
Material	44,515,358	26,842,350	44,515,358
Work in progress	3,266,936	2,471,875	3,266,936
Products	24,187,102	10,868,240	36,883,181
Merchandise	29,786	52,992	29,786
Advances made	64,974	63,018	64,974
TOTAL	72,064,156	40,298,476	84,760,235

Stocks are not pledged as collateral. Advances made represent funds given for the purchase of raw materials and supplies. The net realisable value of stocks at 31 December 2022 exceeds their carrying amount.

17 Trade receivablesCurrent receivables from buyers

In €

Group of receivables for 2022	Value of receivables		Value adjustment		Net receivables	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Buyers in country	2,947,578	4,063,142	266,985	267,017	2,680,593	3,796,125
Buyers abroad	19,407,517	24,868,008	371,794	381,437	19,035,723	24,486,571
Indirect exporters	368,044	865,403	0	0	368,044	865,403
Foreign account receivables	2,681	0	0	0	2,681	0
TOTAL	22,725,820	29,796,553	638,780	648,454	22,087,040	29,148,099

As from 1 June 2021, trade receivables are secured with an external institution.

Movement in the valuation allowance for current trade receivables

In €

2022	As at 31/12/2021	Value Adjustment 2022	Write-downs of prior years' valuation allowances	Paid receivables written off	As at 31/12/2022
Buyers in country	267,017	0	32	0	266,985
Buyers abroad	381,437	1,500	11,142	0	371,794
TOTAL	648,454	1,500	11,174	0	638,780

Receivables from buyers by maturity

In €

Group of receivables by maturity	Gross value 31/12/2022	Adjustment 31/12/2022	Gross value 31/12/2021	Adjustment 31/12/2021
Not past due	19,743,148	15,763	26,683,460	21,346
Past due within 15 days	1,960,633	1,569	1,240,457	994
Past due from 16 to 60 days	345,946	1,633	1,252,916	6,635
Past due from 61 to 180 days	56,335	56	240	0
Past due over 180 days	619,758	619,759	619,479	619,479
TOTAL	22,725,819	638,779	29,796,552	648,454

Other current receivables

In €

Group of receivables	31/12/2022	31/12/2021
VAT receivables	1,984,953	1,789,384
Receivables from the State	167,293	186,642
Receivables from employees	23,060	26,027
Other receivables	28,197	22,751
TOTAL	2,203,503	2,024,804

The Company has no receivables from members of the Management Board and the Supervisory Board.

18 Cash and cash equivalents

In €

Group of assets	31,12,2022	31,12,2021
Cash in hand	30	30
Cash in accounts	24,210,068	53,622,153
Short-term deposits at call	21,000,000	6,124,412
TOTAL	45,210,098	59,746,594

The funds are invested with domestic banks and bear interest at a fixed annual rate.

19 Other current liabilities

Under current other liabilities, the Company recognises current deferred charges and interest on advances received.

In €

Description	31/12/2022	31/12/2021
Prepaid expenses	100,859	153,862
VAT on advances received	32,150	1,362
TOTAL	133,009	155,223

20 Owners' capital

	In €	
Capital items	31/12/2022	31/12/2021
Called-up capital	20,229,770	20,229,770
Capital reserves	44,284,976	44,284,976
Statutory reserves	16,931,435	16,931,435
Reserves for own shares	4,814,764	4,814,764
Own shares	-4,814,764	-4,814,764
Other profit reserves	106,041,164	84,892,734
Fair value reserve	-634,690	-1,179,701
Retained earnings	21,232,589	25,006,577
TOTAL CAPITAL	208,085,244	190,165,791

The Company's share capital consists of 8,079,770 freely transferable bulk shares of the same class. All of the ordinary shares have the same nominal value and are fully paid up. As at 31 December 2022, the value of the share capital amounts to € 20,229,770. The Company holds 264,650 treasury shares as at 31 December 2022. The Company did not acquire any treasury shares in 2022.

21 Non-current liabilities

	In €	
Group of non-current liabilities	31/12/2022	31/12/2021
Provisions for employee benefits	3,651,696	4,256,064
Provisions for the environment	15,483,837	18,801,189
Government grants received - emission allowances	44,047	27,667
Deferred income	319,007	188,082
TOTAL	19,498,587	23,273,002

Post-employment benefits of employees

	In €	
Post-employment benefits of employees	31/12/2022	31/12/2021
Provisions for severance payments	3,204,640	3,693,949
Provision for jubilee awards	447,056	562,115
TOTAL	3,651,696	4,256,064

	In €				
Post-employment benefits of employees 2022	31/12/2021	Formation	Intended use	Release	31/12/2022
Provisions for severance payments	3,693,949	164,358	367,568	286,099	3,204,640
Provision for jubilee awards	562,115	51,467	138,351	28,174	447,056
TOTAL	4,256,064	215,825	505,920	314,273	3,651,696

Provisions

	In €					
Environmental provisions	As at 31/12/2021	Intended use plan 2022	Formation 2022	Use 2022	Release 2022	As at 31/12/2022
Provisions for Za Travnik landfill	373,300	23,000	611,649	64,949	0	920,000
Provisions for Bukovžlak landfill (ONOB)	6,187,523	2,110,000	3,351,342	458,865	0	9,080,000
Provision for Bukovžlak high embankment barrier	3,151,168	260,000	0	48,923	292,565	2,809,680
Provision for elimination of risks due to old burdens-CDM SMITH	5,988,176	10,000	0	0	5,988,176	0
Environmental provision - Environmental investment in TIO ₂ production	3,101,022	0	7	426,872	0	2,674,157
TOTAL	18,801,189	2,403,000	3,962,998	999,609	6,280,741	15,483,837

The consumption of environmental provisions in 2022 is represented by the cost of the work carried out by contractors, amounting to € 999,609. New provisioning has been carried out for € 3.9 million. In 2022, € 6.3 million worth of provisions for which there is no longer a basis for their existence have been released.

Deferred income

	In €	
Deferred income	31/12/2022	31/12/2021
Deferred contributions for disabled employees	1,947	913
Long-term deferred income for equipment	1,345	1,776
Funds received from EU funds	133,335	161,172
Equipment and vehicles acquired free of charge	9,013	24,221
Subsidies for photovoltaics	173,367	0
TOTAL	319,007	188,082

22 Current financial liabilities

In €		
Group of liabilities	31/12/2022	31/12/2021
Current financial liabilities - accruals, cessions	59,392	191,886
Current derivative liabilities - term transactions	0	5,616
TOTAL	59,392	197,503

23 Current trade payables

In €		
Group of liabilities	31/12/2022	31/12/2021
Current payables to in-country suppliers	11,372,481	9,547,147
Current payables to suppliers abroad	3,526,380	9,137,478
Current payables for unbilled goods and services	0	5,611
Current payables against advances	170,164	70,165
Current payables to employees	2,602,550	2,517,024
Current payables for payer's contributions	1,326,675	1,299,826
Current payables to government and other institutions	509,838	656,587
Other current liabilities	10,057	8,886
TOTAL	19,518,145	23,242,724

24 Income tax liabilities

In €		
Income tax	31/12/2022	31/12/2021
Current liability for income tax	2,172,582	3,852,235
TOTAL	2,172,582	3,852,234

25 Liabilities under contracts with buyers

In €		
Liabilities under contracts with buyers	31/12/2022	31/12/2021
Liabilities under contracts with buyers	157,520	136,087
TOTAL	157,520	136,087

The liabilities under contracts with buyers arose from contractual commitments to buyers for agreed bulk payments.

26 Other current liabilities

Other current liabilities include accrued costs and expenses.

In €		
Description	31/12/2022	31/12/2021
Accrued unused annual leave	797,395	823,198
Accrued costs	150,090	180,596
VAT on advances made	54,766	10,889
Other	1,668	2,785
TOTAL	1,003,919	1,017,468

27 Contingent assets and liabilities

In €		
Description	31/12/2022	31/12/2021
Guarantees given	2,275,179	2,345,729
Forward transactions	50,953	4,650,283
VISA and Mastercard payment cards	40,000	40,000
Material in finishing and processing	59,725	59,725
TOTAL	2,425,857	7,095,737

28 Fair value

In €				
	31/12/2022		31/12/2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value through other comprehensive income	1,973,765	1,973,765	1,651,099	1,651,099
Receivables from buyers	22,087,040	22,087,040	29,148,099	29,148,099
Cash and cash equivalents	45,210,098	45,210,098	59,746,594	59,746,594

CINKARNA CELJE d.d.

Financial liabilities	-59,392	-59,392	-197,503	-197,503
Trade payables	-14,898,860	-14,898,860	-18,690,237	-18,690,237
Liabilities under contracts with buyers	-157,520	-157,520	-136,087	-136,087
Total	54,155,131	54,155,131	71,521,965	71,521,965

Financial investments are classified into three groups based on their fair value calculation:

- Group I – assets at market price;
- Group II – assets not classified in Group I, whose value is determined directly or on the basis of comparable market data;
- Group III – assets for which market data cannot be obtained.

Fair value of assets	31/12/2022				31/12/2021			
	Group 1	Group 2	Group 3	Total	Group 1	Group 2	Group 3	Total
Financial assets at fair value through other comprehensive income	0	1,973,765	0	1,973,765	0	1,651,099	0	1,651,099
Total assets measured at fair value	0	1,973,765	0	1,973,765	0	1,651,099	0	1,651,099
Assets for which fair value is disclosed								
Receivables from buyers	0	0	22,087,040	22,087,040	0	0	29,148,099	29,148,099
Cash and cash equivalents	0	0	45,210,098	45,210,098	0	0	59,746,594	59,746,594
Total assets for which fair value is disclosed	0	0	67,297,138	67,297,138	0	0	88,894,693	88,894,693
Total	0	1,973,765	67,297,138	69,270,903	0	1,651,099	88,894,693	90,545,792

In €

Fair value of liabilities	30/09/2022				31/12/2021			
	Group 1	Group 2	Group 3	Total	Group 1	Group 2	Group 3	Total
Financial liabilities	0	0	59,392	59,392	0	0	197,503	197,503
Trade payables	0	0	14,898,860	14,898,860	0	0	18,690,237	18,690,237
Liabilities under contracts with buyers	0	0	157,520	157,520	0	0	136,087	136,087
Total liabilities for which fair value is disclosed	0	0	15,115,772	15,115,772	0	0	19,023,827	19,023,827

III CASH FLOW STATEMENT

The cash flow statement shows the changes in cash and cash equivalents for the financial year as the difference between the balance as at 31 December 2022 and as at 31 December 2021. It is drawn up using the indirect method from the statement of financial position as at 31 December 2022 and the statement of financial position as at 31 December 2021, together with the supplementary information necessary to adjust the income and expenditure and to break down the significant items appropriately. Theoretical contingent items are not shown, but values are shown for the current and the prior period.

IV STATEMENT OF CHANGES IN EQUITY

The statement of changes in equity takes the form of a composite table of changes in all components of equity. Theoretically possible items are not shown. Changes in equity relate to the decision of the General Meeting to allocate the previous year's balance sheet profit to the payment of dividends to owners which have been or will be paid and to the purchase of own shares. Pursuant to Article 64(14) of the Companies Act, a statement of the balance sheet profit has been added to the statement of changes in equity.

V FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

Financial risks (liquidity and interest rate)

Liquidity risk

Cinkarna Celje d.d. is a business partner known for its payment discipline both on the domestic and foreign markets, a company with no bank debts and stable cash flows. The Company's business is traditionally conservative with high cash flow. Liquidity management includes, inter alia, planning and covering expected cash commitments, ongoing monitoring of customer solvency and regular collection of overdue receivables. The credit rating is AAA.

Interest rate risk

Interest rate risk is the potential for losses due to adverse movements in market interest rates. The Company does not have any long-term financial commitments and does not have measures in place to address this. Should this change, appropriate measures would be put in place to manage this type of risk.

Due to its strong business performance and favourable financial position, the Company enters into deposit agreements with banks at minimum positive interest rates in order to increase its financial income. As at 31 December 2022, deposits with a maturity of up to one year amount to € 21 million.

Credit risk

The key credit risk of Cinkarna Celje d.d. is the risk that buyers will not settle their obligations when due. The risk is limited as we operate mainly with long-standing partners, which are often well-known traditional European industrial companies with a high credit rating. In recent years, we have perceived that payment discipline in Slovenia, the Balkans and Eastern Europe has been relatively poor, but we do not expect any further problems in this geographic region in the coming period or a significant reduction in risk potential. With the realignment/reorganisation of the portfolio of the company's strategic business areas, specifically the discontinuation of the graphic repro materials programme, the rolled titanium zinc sheet programme, the anti-corrosion coatings programme and the building materials programme, the exposure to credit risk has been significantly reduced, as evidenced by the maturity of receivables and the fact that we have virtually no further valuation allowances for doubtful or defaulted receivables from buyers.

For many years, Cinkarna Celje has been carrying out internal credit control for individual customers, who have been assigned an individual credit limit based on their payment discipline, credit rating and good performance with the Company. The credit risk monitoring and management process was further enhanced in mid-2021 with the introduction of receivables insurance with an external institution, where credit limits are set, monitored and revised on a daily basis.

In addition to the regular monitoring of the credit limit for each buyer, the payment discipline of the buyer is monitored on a daily basis, as well as the announcements made on Ajpes in connection with the announcement of proceedings under the Act on Financial Management, Insolvency and Compulsory Winding-up Proceedings (ZFPPIPP). The buyer is also reminded of the due date of the receivable by reminder, first by telephone and then by letter, and interest is charged from the due date until the date of repayment, which is subject to late payment. The

process of regular monitoring and control of the portfolio of trade receivables is a permanent feature of the Company, which results in a small proportion of write-offs or impairments of receivables in relation to the proportion of sales.

The carrying amount of financial assets most exposed to credit risk at the reporting date was as follows:

	Notes	31/12/2022	31/12/2021
Financial investments	12, 14	1,973,765	1,651,099
Receivables from buyers	17	22,087,040	29,148,099
Cash and cash equivalents	18	45,210,098	59,746,594
TOTAL		69,270,903	90,545,792

The Company has a healthy structure of receivables from buyers, as can be seen in Note 16 Trade receivables in the table of trade receivables by maturity and in the table of movements in the valuation allowance for current trade receivables.

Currency risk

Cinkarna Celje d.d. purchases and sells on the world market and is therefore exposed to the risk of unfavourable cross-currency exchange rates, in particular the €/ \$ exchange rate. As most sales are made in euro, the exposure is particularly acute for dollar purchases of titanium-bearing raw materials and, exceptionally, sulphur and copper compounds. The exposure is significantly lower in dollar-denominated sales.

We continuously monitor movements and forecasts regarding the dynamics of the €/ \$ currency pair. Basically, we limit the short-term risk of adverse changes in the \$ exchange rate through the standardised and consistent use of financial instruments (dollar futures). We achieve virtually complete coverage of relevant business events involving the €/ \$ currency pair.

Exposure to foreign exchange rate risk

	31/12/2022		31/12/2021	
	EUR*	USD	EUR*	USD
Receivables from buyers	21,673,232	413,838	28,269,239	997,800
Advances given	1,168,851	0	36,099	40,915
Cash and cash equivalents	45,210,098	0	59,746,594	0
Current financial liabilities	-59,392	0	-197,503	0
Current trade payables	-19,450,525	-67,620	-23,242,724	-6,680,374
Statement of financial position exposure (net)	48,542,264	346,218	64,611,705	-5,641,659

*EUR is the functional currency and does not represent an exposure to exchange rate risk. In addition to the functional currency EUR, the Company uses the USD (US dollar), which has been used in the translation of the balance sheet items as at 31 December and is equal to the European Central Bank's reference rate of 1 national currency for EUR 1 as at 31 December 2022 of 1.0666 and as at 31 December 2021 of 1.1326.

Sensitivity analysis

A 1% change in the value of the USD against the EUR as at 31 December 2022 and as at 31 December 2021 would change profit before tax by the amounts shown in the table below. The analysis, which is carried out in the same way for both years, assumes that all variables, in particular interest rates, remain constant. In calculating the impact of the change in the US dollar exchange rate, account is taken of the stock of receivables and payables denominated in dollars.

	31/12/2022		31/12/2021	
	1%	-1%	1%	-1%
USD currency change				
Impact on profit before tax	3,693	-3,693	302,125	-302,152

Any further change of 1% in the USD exchange rate against the EUR would result in a further change in profit before tax of the above amounts.

Capital management

The primary objective of Cinkarna Celje's capital management is to ensure a high credit rating and adequate funding ratios to ensure the proper development of its business and to maximise value for its shareholders.

Cinkarna Celje aims to keep pace with changes in the economic environment by managing and adjusting its capital structure. Dividends are paid once a year in accordance with the Company's five-year strategy for 2019-2023 and the resolutions of the General Meeting. Cinkarna Celje has no specific employee ownership targets and no share option plan. There were no changes in the way capital is managed in 2022. Cinkarna Celje uses a leverage ratio to control capital, which shows the ratio of net debt to capital and total net debt. Net indebtedness includes financial and operational liabilities less cash and cash equivalents.

	In €	
	31/12/2022	31/12/2021
Financial liabilities	59,392	197,503
Trade and other current liabilities	22,852,166	28,248,514
Cash and cash equivalents	45,210,098	59,746,594
Net indebtedness	-22,298,540	-31,300,577
Capital	208,085,244	190,165,790
Capital and net indebtedness	185,786,704	158,865,213
Leverage ratio	-12%	-20%

9 MAJOR BUSINESS EVENTS AFTER THE END OF THE FINANCIAL YEAR

The Company does not have any events that would have a material effect on the financial statements as at 31 December 2022.