Metalurško-kemična industrija Celje, d. d.
Kidričeva 26, SI-3001 Celje, Slovenia

UNAUDITED ANNUAL BUSINESS REPORT OF CINKARNA CELJE 2023

Celje, March 2024

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SELECTION OF THE MOST IMPORTANT DATA

OPERATIONS in EUR thousands	2023	2022	2021	2020
Sales revenues	176,464.29	227,153.12	192,462.10	172,386.90
Operating profit (EBIT)[1]	4,686.11	53,175.64	39,976.60	22,534.40
Operating profit plus depreciation and amortisation (EBITDA)[2]	17,041.48	65,326.33	51,258.00	32,467.20
Net profit or loss	5,489.40	43,396.47	33,227.10	18,950.70
Non-current assets (end of period)	114,387.23	108,559.53	110,511.61	110,888.70
Current assets (end of period)	144,696.50	142,388.47	131,373.20	100,251.70
Equity (end of period)	213,883.75	209,010.15	190,165.80	174,820.90
Non-current liabilities (end of period)	19,271.42	18,831.72	23,273.00	20,876.40
Current liabilities (end of period)	25,928.55	23,106.14	28,446.00	15,442.00
Investments	19,825.30	10,546.5	11,325.40	12,233.00
RATIOS				
EBIT as a percentage of sales revenues	0.03	0.23	0.21	0.13
EBITDA as a percentage of sales revenues	0.10	0.29	0.27	0.19
Net profit as a percentage of sales revenues (ROS)	3.11	19.11	17.26	10.99
Return on equity (ROE)[3]	2.60	21.74	21.40	12.50
Return on assets (ROA)[4]	2.15	17.61	14.70	9.00
Added value per employee[5]	69,018	131,431	106,181	78,729
NUMBER OF EMPLOYEES				
End of year/period	742	775	793	824
End of year/period average	755	776	801	838
SHARE INFORMATION*				
Total number of shares	8,079,770	8,079,770	8,079,770	8,079,770
Total number of treasury shares	264,650	264,650	264,650	219,510
Number of shareholders	2,651	2,321	2,077	1,920
Net earnings per share in euros[6]	0.68	5.37	4.11	2.35
Dividend yield[7]	n.p.	10%	9%	11%
Gross dividend per share (in EUR)	n.p.	3,19	2,10	1,70
Share price at end of period in EUR/share	20.50	23.00	25.90	17.80
Book value of a share in EUR[8]	26.47	25.87	23.54	21.64
Market capitalisation in EUR thousand (end of period)	165.,635.29	185,834.71	209,266.04	143,819.91

* Share split calculated for previous periods

[1] Difference between operating income and expenses.
[2] Difference between operating income and expenses increased by amortisation/depreciation. Reflects operating performance.
3 Net profit/average balance of equity in the period. The ratio reflects the company's efficiency in generating net operating profit in relation to capital. Return on equity is an indicator of management's performance in maximising the value of the company for its owners.
4 Net profit/average balance of assets in the period. The ratio reflects the company's efficiency in generating net operating profit in relation to assets. Return on assets is an indicator of management's performance in the efficiency of the use of assets to generate profit.
5 Operating profit or loss increased by write-downs and labour costs divided by the average number of employees after accrued hours. Productivity ratio reflecting the average newly created value per employee at Cinkarna.
6 Net profit/total number of issued shares.
7 Dividend/share value (as at the date of the General Meeeting resolution
8 Equity at end of period/total number of issued shares.

BUSINESS REPORT

After 150 years of continuous operations, Cinkarna Celje, d. d., a modern and future-oriented chemical company, finds itself fit to tackle the challenges of its ambitious sustainable operations goals that it had set for itself. Being part of the chemical industry, which represents a vital building block of the European and Slovenian economy, we are aware of our opportunities, responsibilities and challenges in the context of the green, low-carbon and circular transformation of European industry and the dynamism of the pigment industry.

In 2023, our realised sales were 22% lower, which is mainly the result of the lower sales volumes and, to a lesser extent, lower average sales prices of titanium dioxide pigment. European pigment producers are experiencing lower demand, partly due to cheaper Chinese imports, partly due to unused stocks and lower demand for products that incorporate the pigment. This is especially evident in the construction sector and the DIY segment. Towards the end of the year, the study of possible anti-dumping measures and logistical obstacles in the Red Sea prompted some European buyers to consider changing their purchasing strategies.

Focusing on the core titanium dioxide pigment programme and streamlining the portfolio of strategic business lines are key building blocks of our business success. Titanium dioxide pigment is our most important product and an indispensable raw material in the modern world, which is why we are committed to further development and continuous improvement of its quality as well as to the study of the possibility of using it in sustainable applications.

We estimate that the achieved business results are consistent with the projections for this period. Cinkarna Celje, d. d. is a relatively small pigment producer, so we face market conditions and changes like a typical follower, but of course we try to make the most of the market's potential within the given framework, in terms of levels and also time dynamics. In view of the market conditions at the end of the year, we adjusted the volume of production to the needs of the market. We used the period of reduced production to a greater extent to carry out major overhauls or maintenance work.

We are continuing to follow the long-term business strategy, which is based primarily on an active marketing approach focusing on finding and developing the most profitable customers and markets, increasing market shares in the highest quality markets and establishing long-term partnerships with key customers. We are planning a more restrictive policy in the management of the costs of materials, raw materials, energy and services. At the same time, we are aware that employees are the most important foundation of business success, so we will continue to work with representative unions and employee representatives to ensure that employee benefits will adequately reflect the Company's performance or the quality of its results.

Sentiment indicators point to weak economic activity dynamics. Economic growth in the Eurozone is expected to be slightly higher over the next two years. The latter will be influenced by further gradual reduction of inflation, low unemployment and strengthening of private consumption. Changing forecasts and scenarios will largely be related to the development of conflicts in the Middle East and Ukraine.

The aforementioned macroeconomic conditions in the context of specific markets and Cinkarna's flagship products mean that we are experiencing weaker demand and worse sentiment. In addition to the European supply of the pigment, very affordable volumes from Asia appeared over the course of 2023, which is connected to the decline in construction activity and the bankruptcy of the largest real estate developer in China. The reorganisation has not yet had a clear effect on Chinese demand for pigment. The difference between the selling price in China and Europe has been at a historically high level in the last two years. In the recent period, the conflicts in the Red Sea resulted in the increase in the cost of container transport between Asia and Europe, which contributes to slightly improved competitiveness of pigment of European origin. We are closely monitoring the mentioned factors and adjusting marketing activities accordingly. Regardless, we estimate that there will be more modest demand and more pressure on prices in the following quarters. At the same time, the prices of some key raw materials persist at high levels or are seeing their prices drop only to a lesser extent, which will result in similar profit margins as would have been achieved in 2023 without taking into account state aid for energy products. Based on the above facts, we also formulated a plan for 2024 and factored in poorer operations and increased investment expenditures for energy and sustainable transformation.

The basic emphases of the Company's business policy remain unchanged. We focus on maximizing the production capacity, making use of market potentials by selling products with higher value added, optimising production costs and implementing investment plans. Financial operations are traditionally conservative and the Company is financially stable.

Cinkarna Celje, d. d. generated sales revenue of EUR 176.5 million in the period under review, down 22% on 2022. The total value of exports in the period under review reached EUR 161.6 million, down 22% YoY. Net profit amounted to EUR 5.5 million and was 87% lower YoY when it stood at EUR 43.4 million. The operating profit including write-downs or EBITDA reached EUR 17 million and amounts to 10% of the realised sales. Compared to the previous year, EBITDA is 66% lower.

The Company's realised revenues and net profit in 2023 do not include state aid funds received until the end of 2023 in the amount of EUR 6.1 million under the Act Governing Aid to Businesses to Mitigate Impact of Energy Crisis (ZPGOPEK), according to which the Company claims aid to mitigate the consequences of the energy crisis. The aid received is recorded under accrued income or other current liabilities in the balance sheet and will be transferred to operating income when all the facts for their recognition are definitively known.

In the area of working with employees and managing personnel potential, we devote attention to the optimisation of the organisational structure, with the aim of ensuring the smooth operation of the Company and consequently maximum safe and healthy working conditions of the employees. We follow the principle of a positive motivating salary policy and ensuring an appropriate level of employee satisfaction and motivation. We are simultaneously introducing IT support for the development of competences and improvement of the organisational climate. At the end of the year, we presented the project for the overhaul of the competency and salary model to the social partners. The project goal is to set up a modern system that will be co-created by the employees and will provide a foundation for the Company's further growth.

In 2023, we invested EUR 19.8 million for the purchase of fixed assets and replacement equipment. We invest in programmes that exhibit potential for growth. With investments in production, we primarily pursue the goals of lowering operational costs, ensuring a profitable volume of production quantities and achieving higher quality, legislative compliance and energy sustainability.

Our development activities pursue a five-year strategy. At the end of 2023, we approved the strategy for the 2024-2028 period. It is based on four pillars: sustainable development, energy transformation, increasing the production capacity and quality of products and digitisation. Development activities were carried out according to identified opportunities in areas in which we possess the relevant expertise, as well as according to trends and customer expectations. The Company implements several interconnected projects, which allow us to comprehensively manage spatial and environmental risks. The most important among them are alternative water supply projects, coordination of spatial acts at the Za Travnik red gypsum filling plant, remedial intervention at the Bukovžlak Non-Hazardous Waste Landfill (ONOB) and ensuring the stability of barrier bodies.

When planning and implementing all activities, we take into account the principles of sustainable development and the circular economy. As part of ensuring the sustainable development of titanium dioxide production, we continued with a multi-year development project of comprehensive water management and a project to reduce the amount of waste. We also set up and implemented new activities in the areas of carbon footprint reduction, use of renewable energy sources and reuse of materials. We have prepared a draft ESG strategy with special emphasis on the climate strategy, which we will supplement in 2024 with the requirements of the ESRS standard.

Subsequent chapters of the Report provide more detailed data by individual business lines as well as a presentation of the Company's financial position and operations.

Management Board of the Company

STATEMENT ON MANAGEMENT'S RESPONSIBILITY

The Company's Management Board is responsible for preparing financial statements for each individual 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 present a true and fair view of the operations of Cinkarna Celje, d. d.

The Management Board expects that the Company will have adequate resources in the future for the continuation of operations, which is why the Company's financial statements have been 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 selected 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 Business 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 types of risks to which the Company is exposed;
- the 2023 financial statements of Cinkarna Celje, d.d. are prepared in accordance with International Financial Reporting Standards as adopted by the EU and present a true and fair view of the assets and liabilities, financial position, profit or loss and comprehensive income of the Company.

The Management Board adopted the financial statements with the associated policies and notes to the financial statements on 30 January 2024.

Company's Management Board

President of the Management Board	**Member of the Management Board – Deputy President of the Management Board – CTO**	**Member of the Management Board – Works Director**
Aleš SKOK, BSc (Chemical Engineering), MBA - USA	Nikolaja PODGORŠEK SELIČ BSc (Chemical Engineering), Specialist	Filip KOŽELNIK, MBS

1 SALES

Total sales in 2023 are down 22% YoY. The total amount of sales or net sales revenues reached the value of EUR 176.5 million.

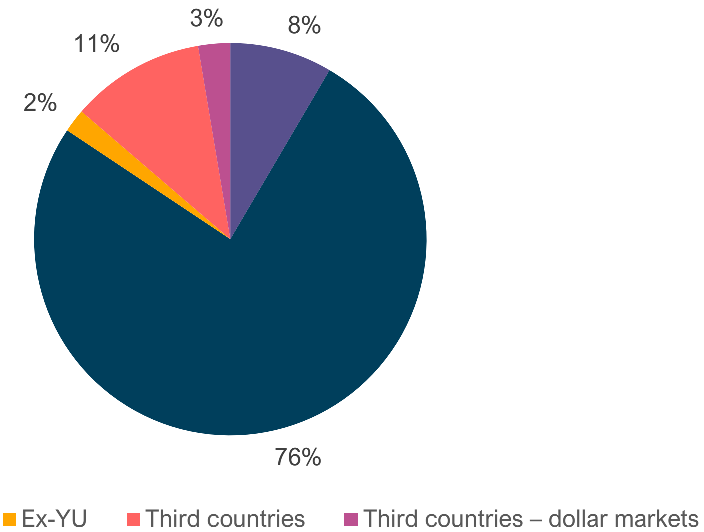
1.1 Sales by geographical segment

Total sales on foreign markets in 2023 were down 22% on the year before. The drop in sales on foreign markets is undoubtedly due to the lower pigment volumes. The drop is most evident in absolute and relative terms on the EU market which is our main market.

Sales by geographical segment

	2022	2023	ΔPY%
Slovenia	18,781,919	14,889,861	-21
EU	173,950,706	134,006,280	-23
Former Yugoslavia	4,959,791	3,395,401	-32
Third countries	27,117,372	19,504,886	-28
Third countries – dollar market	2,343,328	4,667,861	+99
TOTAL	**227,153,116**	**176,464,289**	**-22**

Shares of individual markets in the Company's total sales



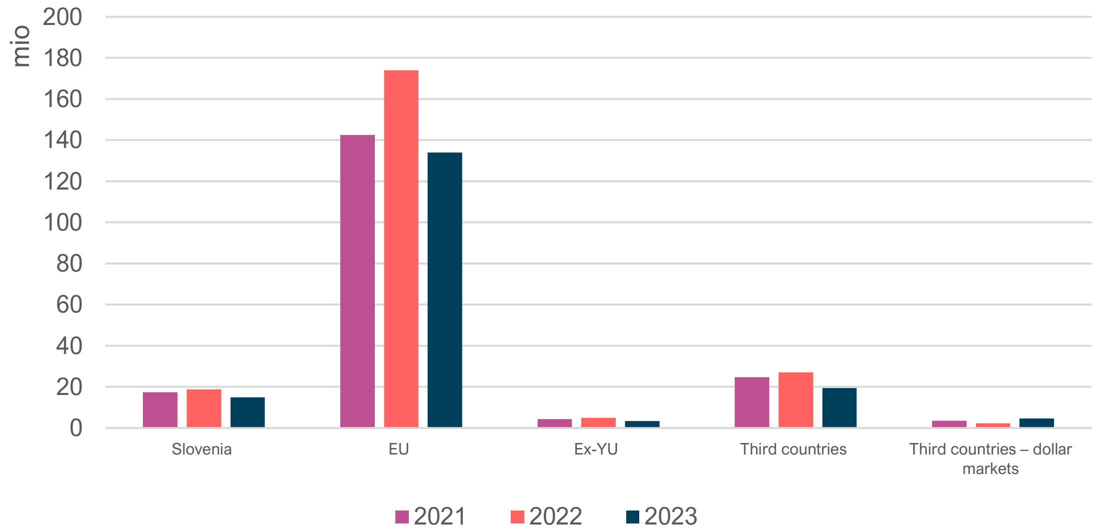
Sales on the EU market are down 23% compared to the year before. The decrease in sales was influenced by lower volumes of titanium dioxide pigment and to a lesser extent by lower selling prices. The latter is the result of favourable volumes of Chinese pigment as well as lower demand due to lower economic activity. One of the key markets is Germany where we generate 27.9% of export sales and 25.6% of the Company's total sales. The importance of the German market decreased slightly compared to the previous year due to the objective maturity of the market.

Sales on the markets of former Yugoslavia decreased by 32%, which is related to lower value of pigment and powder coatings sales.

Sales on the domestic market are down 21% compared to 2022. The drop in sales is present in all BUs with the exception of the Polymers BU.

Sales to third country markets are lower by 18% overall YoY. As already mentioned, lower sales volumes contributed the most in this segment as well. We are strengthening our market shares in the dollar markets. Over the following medium-term period, we intend to focus our marketing activities more on these markets as they offer us good geographical diversification. The increase in sales by 99% is the result of accelerated activities in the US markets.

Sales by geographical segment



The share of total exports within the total sales of the Company in the period under consideration was 91.6%, which is a decrease of 0.2% compared to the previous year. The reduced share of exports refers to a decrease in the value of sales to the key markets of Germany, Italy and France. The bulk of the sales is achieved through the export of titanium dioxide pigment.

The structure of sales by national markets changes on a quarterly basis depending on the conditions that prevail in each individual market at any relevant time. Roughly speaking, the structure is subject to the profitability of the markets, the marketing strategy and political-economic security and reliability of the markets.

1.2 Sales by business segment

Sales by business segment

	2022	2023	ΔPY%
Titanium dioxide	189,740,282	146,042,369	-23
- of which TiO2 pigment	*186,385,200*	*143,356,887*	*-23*
Zinc processing	8,240,209	5,637,539	-32
Varnishes, coatings, masterbatches and printing inks	18,516,808	16,579,785	-10
Agricultural programme	8,481,917	5,443,530	-36
Polymers	1,647,402	2,148,761	+30
Other	526,498	612,307	+16
TOTAL	**227,153,116**	**176,464,289**	**-22**

Sales of the **titanium dioxide pigment flagship programme** amounted to EUR 146.0 million in the period under review. The lower value of sales by EUR 43.7 million is the result of significantly lower volumes and to a lesser extent of lower average selling prices. We observed a decline in customer orders as early as the end of 2022, and the challenging market situation continued throughout 2023. The decline in economic activity in most industries, especially the decline in new investments, led to a sharp decline in demand. In addition to the smaller needs of pigment buyers, the decline in economic growth in China and the resulting excess inventories in Asia have led to us facing very aggressive Chinese competition, which directed most of its pigment inventories to European markets that, unlike the USA, are not protected by import tariffs. Chinese competition was taking over market shares from European producers through lower prices, which was exacerbated by the already lower pigment volume needs. In light of the examination of anti-dumping measures against Chinese pigment and conflicts in the Red Sea, the purchasing strategy of European buyers has been changing in the recent period in favour of European pigment producers.

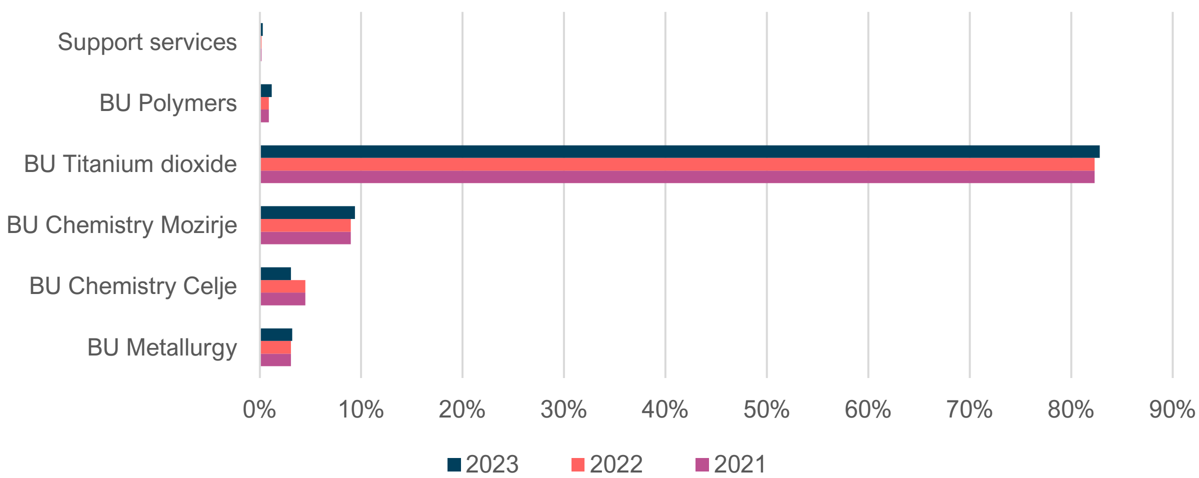
CEGIPS should also be highlighted in the programmes of this business segment. Namely, we sold 128.9 thousand tonnes of CEGIPS, which is important in the context of extending the life of Za Travnik.

The **zinc processing sales programme** combines the product groups of zinc wire, anodes and alloys. Business operations are down 32% YoY. In view of the fact that the programme has a low added value and a low potential, it was discontinued at the end of the year.

In the period under consideration, there was a comparative 10% decrease in the sales of the **coatings and masterbatches** programme. The main reason for the decline in sales in the field of powder coatings in addition to the general decline in economic activity was primarily the restrained attitude of consumers towards the purchase of household and home equipment. The market namely saw a general decline in sales in the segment of interior furnishings, household appliances, and warehouse and shop equipment. In the area of masterbatches, we increased sales volumes by refocusing in a timely manner on the segments of sustainable plastics and more demanding applications as well as entering the field of personal hygiene product production where consumption is above average.

The sales of the agricultural programme comprising copper fungicide and Pepelin, green vitriol and Humovit decreased by 36% YoY. The reduced sales volume is the result of the extreme drought in 2022, which covered the whole of Europe, so that old inventories of phytopharmaceutical products were sold in 2023 at all distributors throughout Europe. In addition, there was also a decline in sales to Eastern European distributors that exported copper fungicides to the Ukrainian market. Towards the end of 2023, we observed higher demand, which will continue into the beginning of 2024. We are keeping the sales of Humovit at the level of the comparable period of 2022. The fact remains that we are dependent on the conditions on the local and nearby markets when selling soil as the product cannot withstand the additional transportation cost entailed in entering distant markets.

Shares of individual business units in the Company's total sales



In the period under review, it can be established that the relative shares have changed again. With the exception of the Chemistry Celje BU, the other business units recorded an increase in their share of sales.

The share of the Polymers BU increased comparatively as the volume of operations coincides with the investment activity of the regional pharmaceutical and petrochemical industries. It is therefore basically a made-to-order, fully customised production of technological systems, which, however, is directly dependent on the investment cycles of the industry in the region.

The structure of sales by individual business units has changed. The short-term consequence of substantive changes is a smaller number of business units and the possible increase in the relative importance of the core programme, i.e. titanium dioxide.

2 OPERATING PERFORMANCE ANALYSIS

2.1 Profit or loss

Overview of generated income and expenses

In EUR

	2022	2023	ΔPY%
INCOME	**253,023,779**	**176,694,278**	**-30**
Operating revenue	251,459,315	174,782,547	-30
Finance income	1,564,464	1,911,731	+22
EXPENSES	**200,308,205**	**170,925,316**	**-15**
Operating expenses	198,283,672	170,096,438	-14
Finance expenses	2,024,533	828,878	-59
PROFIT OR LOSS	**52,715,574**	**5,768,962**	**-89**
Corporate income tax	9,319,109	279,559	-97
NET PROFIT OR LOSS	**43,396,465**	**5,489,402**	**-87**

In 2023, an **operating profit** of EUR 4.7 million was achieved. This result represents only 9% of the achieved profit from operating activities in 2022, which amounted to EUR 53.2 million. The operating performance was therefore worse than last year, but represented the attainment of 92% of the business plan. The above-mentioned failure to achieve the planned result and the result of the previous year was influenced by a significantly worse volume and value of sales and a reduction in the selling prices of the flagship product. The operating profit including write-downs or EBITDA reached EUR 17 million and amounts to 9.7% of the realised sales. Compared to the previous year, EBITDA is 74% lower.

After accounting for the impact of finance income and expenses, we disclosed **operating profit before taxes** of EUR 5.8 million in 2023, whereby this figure was EUR 52.7 million in 2022. The pre-tax profit is only 11% compared to the previous year.

In 2023, a positive balance from financing activities in the amount of EUR 1.1 million was achieved (in 2022, the negative balance from financing activities amounted to EUR 460 thousand). The resulting balance from financing activities comes from a positive balance of exchange rate differences (forward purchases and sales of dollars) in the amount of EUR 105 thousand and a positive balance of income and expenses from investments and interest in the amount of EUR 987 thousand. The positive balance of exchange rate differences throughout the financial year implies effective use of hedging instruments to manage the volatility of the $/€ currency pair in the purchasing of titanium-bearing ores.

The net operating profit or loss for the period is EUR 5.5 million, **which is 87% (EUR 43.4 million) lower than in 2022**. Taking into account the developments in the international economy and on the titanium dioxide pigment and, above all, the results of competitors from the titanium dioxide industry, we assess the result as satisfactory and above expectations. The net profit comprises profit or loss before tax and the accounted corporate income tax of EUR 0.5 million (8.3% effective tax rate).

2.2 Expenses and costs

The structure of the consumption of raw materials, packaging and energy exhibits some major deviations compared to 2022. In relative terms, the most important increase is the cost of energy products, which are 67% higher due to the current situation on the energy products market. By employing measures to improve energy efficiency, we aim to control this category of costs.

The relationship between purchase and sale prices is changing as a result of higher input prices. 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, the largest share of production costs came from raw materials (84.6%), followed by energy (13.9%) and packaging (1.5%). Compared to the previous year, there is a noticeable change in the structure, namely an increase in the share of energy by 2.3 percentage points.

The structure of labour costs is disclosed in the chapter Notes to Financial Statements 5 - Labour costs. Gross wages were set in accordance with the provisions of the collective agreement taking into account the agreements between the unions and the Management Board. Transport to work and meals during work are reimbursed in accordance with the applicable regulations. Labour costs include additional pension insurance, operating performance-based bonuses, severance pay, other employee benefits, and costs for solidarity assistance, jubilee benefits and other items. The amount of the holiday allowance per employee for 2022 is EUR 1,923.92 gross.

2.3 Assets

	31 December2023	31 December2022
ASSETS		
Intangible assets	1,585,108	1,208,224
Property, plant and equipment	109,855,569	104,083,017
Financial assets measured at fair value through other comprehensive income	1,558,531	1,973,765
Other non-current assets	84,444	68,049
Deferred tax assets	1,303,575	1,226,475
Total non-current assets	**114,387,227**	**108,559,530**
Current assets		
Inventories	53,841,480	72,754,823
Financial receivables	38,616,117	0
Operating receivables	30,023,136	24,290,543
Corporate income tax assets	6,318,930	0
Cash and cash equivalents	15,687,805	45,210,098
Other current assets	209,028	133,009
Total current assets	**144,696,496**	**142,388,473**
Total assets	**259,083,723**	**250,948,003**

The share of non-current assets within the structure of total assets decreased by 0.9 percentage points as compared to the balance as at the end of 2022 and came in at 44.2%. The biggest category of non-current assets is property, plant and equipment (96%). Their value increased by the difference between the amount invested in property, plant and equipment and the accounted actual depreciation of 2023, i.e. by EUR 5.8 million or 6%. Non-current financial assets decreased in 2023 by EUR 0.4 million due to revaluation and comprise shares and participating interests. Deferred tax assets increased by 6% due to formation being higher than reversal and the use of provisions as well as the recalculation to a 22% tax rate. Other non-current assets are emission coupons obtained free of charge from the state. Their balance as at 31 December 2023 is EUR 16,000 higher than the balance as at 31 December 2022 due to the positive balance between the acquisition of coupons for 2023 and their delivery to the Environmental Agency (ARSO) for CO2 emissions for 2022.

The share of current assets within the structure of total assets decreased by 0.9 structural points as compared to the balance as at the end of the previous year and amounted to 55.8%. In the structure of current assets, the most important categories in terms of value are inventories (37%), operating receivables including other current assets and corporate income tax assets (25%), and cash (11%).

Inventories decreased compared to the balance as at the end of 2022 by 26% whereby the value of inventories of material (including advance payments) decreased by 27%, the value of inventories of work in progress decreased by 24%, and the total value of inventories of finished products and merchandise also decreased by 24% (all compared to the balance as at the end of 2022). The biggest reason for the decrease in the inventories of finished products is the lower pigment sale volume (quantity) in Q4 2023.

Current financial receivables as at 31 December 2023 are investments in treasury bills with maturity of up to 6 months with the aim being an efficient use of cash.

Current operating receivables comprise current trade receivables and current operating receivables due from others (mostly input VAT receivables due from the state). They increased by 24% as compared to the balance at the end of 2022. Trade receivables also rose by 24%, while other current receivables increased by 17%. The overview of trade receivables according to maturity points to the fact that the ageing structure of receivables is still of high quality and secured with an external institution or other forms of security.

Cash (and cash equivalents) account for 11% of the total value of current assets, with the volume of cash decreasing by 75% compared to the previous year as a result of accelerated investing activities, poorer operations and transfer of assets to current investments. The remaining cash is required for day-to-day operations.

Other current assets comprise pre-paid expenses. The value rose by 57%.

2.4 Liabilities

	31 December 2023	31 December 2022
EQUITY AND LIABILITIES		
Called-up capital	20,229,770	20,229,770
Capital surplus	44,284,976	44,284,976
Revenue reserves	123,035,102	120,290,401
Fair value reserve	-1,425,189	-809,390
Retained earnings	27,759,093	25,014,391
Total equity	**213,883,752**	**209,010,148**
Provisions for employee benefits	3,843,523	3,651,696
Other provisions	14,662,600	14,816,968
Non-current deferred revenues	765,295	363,054
Total non-current liabilities	**19,271,418**	**18,831,718**
Financial liabilities	103,692	59,392

Operating liabilities	18,530,350	19,518,145
Liabilities for the corporate income tax	0	2,367,161
Liabilities from contracts with customers	11,351	157,520
Other current liabilities	7,283,161	1,003,919
Total current liabilities	**25,928,554**	**23,106,137**
Total equity and liabilities	**259,083,723**	**250,948,003**

The value of equity in the structure of liabilities as at 31 December 2023 stands at 82.6%, which is 0.7 percentage points less than at the end of 2022. The amount of equity increased by 2% compared to the balance at the end of 2022. The increase (EUR 4.9 million) refers to the difference between the net profit of 2023 in the amount of EUR 5.5 million and the lower fair value reserve. As at 31 December 2023, the Company held 264,650 treasury shares following a 1:10 split on 15 August 2022. The Company did not buy back treasury shares in 2023. There were no other material changes in equity.

The value of share capital within total equity remained unchanged at EUR 20,229,769.66 and comprises 8,079,770 ordinary freely transferable no-par value shares (264,650 of these are treasury shares entered in the treasury share fund) following the 1:10 split carried out on 15 August 2022. The book value per share as at 31 December 23 was EUR 26.5 (it increased by 2% from the beginning of the year when it stood at EUR 25.9).

Provisions and long-term deferred revenues account for 7.4% of liabilities. Provisions for severance pay and similar liabilities were set aside on 1 January 2006 (for severance pay and jubilee benefits). They are adjusted annually based on actuarial calculations. Other provisions were established in the ownership transformation procedure, i.e. from environmental provisions. In recent years, we have set aside the following additional environmental provisions: EUR 5 million in 2010 for the rehabilitation of the Bukovžlak Solid Waste Landfill and EUR 7 and 5 million in 2011 for the rehabilitation of the Za Travnik Waste Disposal Plant and destruction of low-level radioactive waste. At the end of 2017, we studied, verified and restructured the provisions and only set aside new provisions for the elimination of risks arising from old burdens in the amount of EUR 6.4 million. At the end of 2023, similar to the end of 2022, we re-checked the scope of provisions and formed/reversed them accordingly, taking into account the actual market conditions and the reasons for their existence. In the period under review, the volume of environmental provisions decreased by 1% or EUR 154 thousand due to the intended increase and, at the same time, intended coverage of the costs of the rehabilitation projects listed above as well as the necessary reversal of provisions. Long-term deferred income increased by 111% as a result of funds obtained for co-financing the installation of solar power plants.

Financial and operating liabilities increased by 12% as compared to the balance at the end of the previous year as a result of the increase in other current liabilities. Trade payables decreased by 2% due to repayments of liabilities to suppliers and a decrease in other current liabilities by 16% due to lower liabilities to employees and state institutions. There is no corporate income tax liability for the 2023 financial year as of 31 December 2023, as the prepayments paid during 2023 exceed the tax liability for 2023. All financial and operating liabilities are of a short-term nature. The Company's gross debt level is 10%, which is up 0.8% compared to the balance as at 31 December 2022.

Current financial liabilities as at 31 December 2023 amount to EUR 104 thousand, while they stood at EUR 59 thousand at the end of 2022. The Company’s debt ratio is therefore 0.4‰ (0.24‰ at the end of 2022).

Other current liabilities increased more than 7-fold in the period. They mostly comprise accounted liabilities for annual leave and other labour costs, accrued environmental contributions, and taxes and VAT on advances given. A part of the other current liabilities in the amount of EUR 6.1 million is represented by deferred income from the received state aid which the Company claimed pursuant to the Act Governing Aid to Businesses to Mitigate Impact of Energy Crisis (ZPGOPEK).

3 HUMAN RESOURCES

HR activity is focused on achieving the basic goals of the business policy where we paid special attention to the search for innovative ways of staffing and the social cohesion of the Company, which was quite dynamic in terms of labour costs due to the situation on the labour market, the general situation in the country, high inflation and rising interest rates. We continued with a policy of moderate external recruitment where we cover the needs for professional workers and workers with higher and university education, while most of the other needs were covered by internal appointment and recruitment of professional staff. We focused on rejuvenating the teams at individual organisational units, replacements in critical positions, finding employees who perform professions with a lack of practitioners, i.e. especially natural science professions, and intensive negotiations about retirement with those employees who have already met the conditions for retirement and those who will meet these conditions reached at the Employment Agency of the Republic of Slovenia.

As at 31 December 2023, the Company had 742 employees, down 33 people or 4.3% compared to the end of 2022. There were noticeable minor changes in the number of employees by individual business units.

When communicating with employees, we encourage open and multilateral communication between the Company's Management Board, employees, the Works' Council and two representative trade unions. In addition to informing employees about the general current situation, it is also very important to obtain feedback and suggestions from employees, which facilitates a positive working atmosphere at the Company, promotes a good organisational culture and increases loyalty to the Company. It also strengthens the trust of employees in the management of the Company.

In this period, the focus of the Company's Management Board, directors of business units and the Works' Council was again on communication, whereby they employed a broad range of communication channels. To convey information to our employees, we used printed and electronic media, such as: Messages from the Company's Management Board via e-mail with current news for employees and an e-mail dialogue of our company mascots (Cinko and Cinka), Informator - printed version, the Cinkarnar corporate magazine - 2x annually, Cinkarna Celje's Facebook and LinkedIn social networks are active, we also publish a trade union newsletter and have our own Sharepoint (intranet and extranet) and bulletin boards that are always interesting and active for publishing news. More than 70 notice boards are installed throughout the Company as a means of communication.

The Moja Cinkarna employee application was upgraded in 2023 with additional content and access and serves as a new communication channel with employees. Additional functionalities of the application include delivery of payslips, working time records and other documents legally required to be kept by the employer. The application is increasingly well-accepted by employees and will receive new functionalities.

In the field of social work, activities related to the individualised resolution of workers' problems, the management and deployment of disabled workers, ergonomics, employee prevention and the retirement of those employees who meet the conditions for retirement took place during the period in question.

In the future, the plan is to continue optimising the HR structure by in-company transfers, business process optimisation and recruiting new young and technically qualified personnel. Investments will also be made in the development, education and further improvement of the working environment of employees, while special attention will be devoted to the overhaul and development of HR systems.

3.1 Added value at the level of the Company

Added value per employee (according to the Chamber of Commerce and Industry of Slovenia methodology) is 47% lower than the one achieved in 2022. Lower sales had a negative effect. The number of employees according to the accounted hours was lower by 2 percent (13 employees) and will have a positive impact.

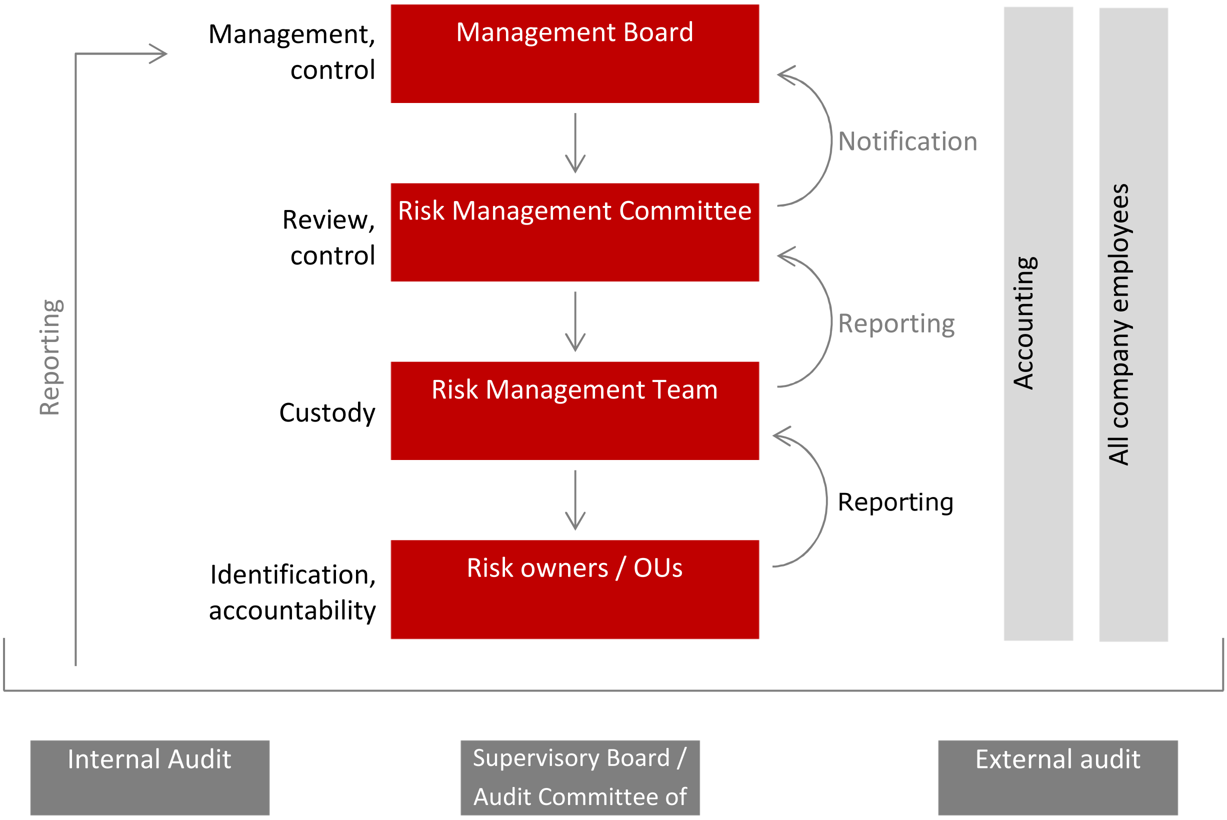
	2022	2023	ΔPY%
Sales revenues	227,153,116	176,464,289	-22
Increase or decrease in the value of inventories	14,113,922	-6,549,243	-
Capitalised own products and services	2,442,358	3,019,539	+24
Other operating revenues	7,749,919	1,847,962	-76
Cost of goods, materials and services	151,383,601	122,720,736	-19
Other operating expenses	4,788,599	2,921,136	-39
Value added	**95,287,115**	**49,140,675**	**-48**
Average No. of employees according to accounted hours	725	712	-2
Added value (in EUR) / employee	**131,431**	**69,018**	**-47**

4 KEY RISKS IN THE COMPANY'S OPERATIONS

The risk management process is a key process and the foundation of the Integrated Management System (IMS). Risks are managed with regulations, performance targets or tasks, the implementation of which is monitored through minutes.

The risk management system includes risk identification, risk assessment and classification, implementation of measures, control and reporting. On the basis of monitoring and analyses of the external and internal environments, we obtain input data for defining key risks and opportunities, which is crucial for our operational, tactical and strategic planning in line with the goals of sustainable development.

The overview of key risks below is updated and defined subject to the state-of-affairs and expectations at the time of writing of this Report.



We also communicate with the external public about the risks posed by the Company's operation and risk management, namely in interim and annual reports, i.e. every quarter. The reports are published on the SEOnet portal and on the Company's website www.cinkarna.si.

I. Sales and purchasing risks			
Risk name	**General description of the risk at the company level**	**Risk management**	**Risk level**
Energy products	The price of our products is not competitive due to the	We conclude agreements, monitor trends and conclude forward contracts.	Low

I. Sales and purchasing risks			
Risk name	**General description of the risk at the company level**	**Risk management**	**Risk level**
	high prices of energy products (natural gas and electricity)	We negotiate PPAs (power purchase agreements) - long-term electricity purchasing agreements. We implement measures to increase energy efficiency. We are systematically increasing our own production of electricity from renewable sources - solar power plants on buildings, cogeneration of electricity from steam. We regularly balance the structure of consumption of individual energy products, implement energy management and carry out ongoing measures/projects to optimise energy use.	
Key customers	Loss of market share and revenues due to (price) non-competitiveness in relation to customer expectations compared to price-aggressive competitors	We apply optimal marketing strategies and suitable sales channels. We provide pre- and post-sales service and thereby increase the added value of our service. We guarantee competitive sales prices and adapt to the sales prices of European competitors as much as possible. We provide products of adequate quality while increasing productivity and reducing production costs. We are boosting our presence on the spot markets.	Low
Competition	Loss of market share and revenues due to (price) non-competitiveness in relation to customer expectations compared to price-aggressive competitors from China and Eastern Europe	We limit the risk by expanding the sales network, diversifying the production and sales portfolio, introducing new sales channels, developing marketing partnerships and new products that enable entry into new markets and industries. By making targeted technological investments, we focus our sales portfolio on applications and markets that are more demanding in terms of content and high quality, and represent a departure from the so-called commodities markets, which are characterised by lower added value and high exposure to affordable Chinese pigment and pigment from Eastern Europe. We select optimum marketing strategies, suitable sales channels, pre- and after-sales services and provide high-quality products while increasing productivity and reducing production costs. We are also increasing our customer portfolio on the so-called spot markets.	Medium

I. Sales and purchasing risks			
Risk name	**General description of the risk at the company level**	**Risk management**	**Risk level**
		We also indirectly manage sales risks through the systematic monitoring and comparative analyses of relevant industries (competitors and customers), participation in industry marketing & professional meetings and the introduction of standards in the field of quality management, safety, the environment and health.	
Work items	Loss of revenue due to unforeseen extensions of delivery dates throughout the supply chain	We place orders on time, make reservations with suppliers, look for alternative suppliers and alternative testing procedures. We ensure timely planning of needs and ordering of raw materials, take into account time reserves that are based on our experience and, as appropriate, increase minimum stocks. We will produce a business case and checklist for all strategic raw materials.	Low
Work items	Loss of production due to loss of supply of work items at monopolistic suppliers	We pursue the goal of adequate agreement-based hedging. In critical cases, we ensure we have larger stocks. We carry out thorough research of the raw materials market and possible substitutes and take timely action based on the findings. We search for, test and introduce new sources of raw materials into production. We also evaluate alternative raw material sources in terms of creating catalogues of verified alternative raw materials and suppliers. We build long-term and stable partnerships in a targeted manner. We monitor and analyse the state of international markets ourselves and by commissioning market specialists. We also maintain regular contacts with suppliers that are not our operational business partners, but nevertheless represent a quality potential alternative.	Low
Legislative compliance	Loss of revenue due to a new chemical sustainability strategy	Within the Titanium Dioxide Manufacturers Association (TDMA), we follow the requirements of the new legislation with a working group and initiate the necessary/possible activities both at the EU level and individually within the Company. 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	Low

I. Sales and purchasing risks			
Risk name	**General description of the risk at the company level**	**Risk management**	**Risk level**
		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.	

II. Production risks			
Risk name	***General description of the risk at the company level***	**Risk management**	**Risk level**
Storage and production capacity	Shortfall in volumes due to under-utilisation of production capacity	At the Chemistry Mozirje business unit, they obtained a concept design for variants of the installation of an additional line of white masterbatches: • in the existing building that would be renovated and • new construction at the Mozirje location. The concept design for the third variant (installation in the rolling mill at the Celje location) is being prepared. We manage risk in the Titanium Dioxide BU with the following activities: • optimisation of the operation of machines and lines; • improving the efficiency of slag and ilmenite separation; • updating and putting in place protocols for the cleaning of reactors, storage containers, settling tanks and clarifiers. In order to increase capacity to 71,000 tonnes, a decision was made to demolish the extension to the Final Processing 2 building and install a moisture extraction and drying line in the newly built facility. We are preparing a technological project design to expand production. We are carrying out pilot testing of plants for the drying of pigment, steam micronization, and decanter centrifuge.	Low

III. Financial risks			
Risk name	***General description of the risk at the company level***	**Risk management**	**Risk level**
Credit risk (customer payments)	Loss of revenue due to non-payment by customers whose receivables are not secured, which represents approx. 2% of receivables	We apply internal credit control for each individual customer that 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 through 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 customer, we monitor on a daily basis the payment discipline of the customer and the publication on the AJPES (Agency of the Republic of Slovenia for Public Legal Records and Related Services) website regarding proceedings under the Financial Operations, Insolvency Proceedings, and Compulsory Dissolution Act. Also, as the receivable becomes due, we send reminders to customers of the due date of the receivable, firstly by telephone and then in writing. We charge default interest from the due date until the date of payment. Updated information is obtained on a regular basis for more accurate cash flow planning. We have a detailed, well thought out and accurate cash flow.	Low
Liquidity risk (customer payments)	Loss of payments within agreed deadlines due to customer insolvency or lack of payment discipline, which may cause liquidity problems for the Company	We ensure a stable cash flow. The Company's business is traditionally conservative with an ample cash balance. Liquidity management comprises, among other things, planning expected cash commitments and their coverage on a daily, weekly, monthly and annual basis, ongoing monitoring of the solvency of customers and regular collection of overdue receivables. Updated information is obtained on a regular basis for more accurate cash flow planning. We have a detailed, well thought out and accurately designed daily, monthly and annual cash flow.	Low

III. Financial risks			
Risk name	***General description of the risk at the company level***	**Risk management**	**Risk level**
Currency risk	Loss of revenue and higher costs due to the euro/dollar exchange rate when purchasing materials and raw materials in US dollars (titanium-bearing raw materials, partly copper compounds)	Changes and forecasts of the dynamic of the EUR/USD pair are monitored at all times. We basically mitigate the short-term risk of unfavourable USD exchange rates by consistently using financial instruments in a standardised manner (USD futures and forwards). Updated information is obtained on a regular basis for advance purchases of foreign currencies.	Low

IV. Spatial and environmental risks			
Risk name	***General description of the risk at the company level***	**Risk management**	**Risk level**
Climate risk	Occurrence of acute or chronic physical risks caused by climate change (drought, heat waves, storms, etc.)	The Company recognises a possible lack of water for supplying production as the biggest risk due to the drought and it simultaneously sees this as an opportunity to follow sustainable business principles. Production is fed from the Hudinja River, and partly also from water catchments at the Za Travnik location. The water permit allows a limited amount for pumping, which does not pose a risk in terms of production requirements. An ecologically acceptable flow rate (Qes) is prescribed as a pumping limitation for the Hudinja watercourse. If the water level is below Qes, pumping is not allowed. In order to ensure the operation of the Company even in such extreme cases, we have already increased the share of water reuse and will continue to do so with the planned additional activities in the near future. This would only allow us to maintain minimal quantitative production and prevent negative impacts on the environment due to unplanned sudden production stoppages. In the past, we reviewed several possible solutions for alternative water supply (reservoirs, groundwater pumping, use of the existing Slivniško and Šmartinsko	High

IV. Spatial and environmental risks			
Risk name	***General description of the risk at the company level***	**Risk management**	**Risk level**
		jezero reservoirs, relocating the pumping location downstream of the confluence of the Hudinja and Vzhodna Ložnica rivers or from the Savinja). The solution of using waste water from the Celje Central Wastewater Treatment Plant proved to be the most suitable and, above all, sustainable. This source of water is permanently sufficient in quantity, but requires additional purification. In the event that we were to use it, both the biological and hydromorphological conditions of the watercourse would improve as a result. Working with an external contractor, the Company prepared the concept design of the pipeline siting and the preliminary design document for additional treatment. Pilot tests are currently underway at the treatment plant location. We also obtained the opinion of the Ministry of the Environment, Climate and Energy that an environmental impact assessment is not required for the planned siting of the pipeline and pumping. We have obtained project conditions from Slovenian Railways and the Slovenian Water Agency for the siting of the pipeline. In accordance with the decision of the Municipality of Celje, we have prepared an initiative for the adoption of a decision on the initiation of the process of preparing the municipal detailed spatial planning documents (OPPN) for the installation of the pipeline. As regards other climate risks of this class, we maintain facilities, identify and eliminate potential hazards, eliminate deficiencies (e.g. additional cooling of rooms with electronic equipment).	
Safety	Negative impact on the Company's operations due to a natural disaster (such as an earthquake or major flood, lightning strike, ice damage, etc.)	We carry out activities in accordance with the preventive activities set out in the Register of Potential Hazards to the Environment and Employees (rules, organisational regulations, compliance with storage instructions in the flooded part of the site, ongoing cleaning of	Low

IV. Spatial and environmental risks			
Risk name	***General description of the risk at the company level***	**Risk management**	**Risk level**
		shafts and maintenance of facilities, instructions for work, measurements, preventive and periodic inspections, etc.). When designing new buildings, we observe earthquake protection standards and regulations. Existing ones are inspected and maintained. The seismic observation of the Bukovžlak high-filled barrier is performed regularly. The Company is flood-proofed with a wall to prevent water ingress in the event of flooding. We have pumping stations in place to pump out any excess water. Based on our experience during the floods in August of 2023, we are preparing/introducing a range of preventive measures. We have also increased our insurance. We regularly inspect and maintain lightning conductors and earthing systems.	
Safety	Negative impact on the Company's operations due to an industrial accident (fire, explosion, spillage, etc.)	The risk is managed through systematic evaluation of environmental impacts and effects on the employees, periodical assessments of fire hazards and systemisation of employment positions with respect to the risk assessment. In the area of environmental impact mitigation, we have systematically introduced European environmental standards through the implementation of the principles of the "Responsible Action programme", and are harmonising our activities with the requirements of the IED and SEVESO directives. 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 light of changes and ensure production safety during the	Low

IV. Spatial and environmental risks			
Risk name	***General description of the risk at the company level***	**Risk management**	**Risk level**
		introduction of changes. We carry out our processes in accordance with BAT (Best Available Techniques). As regards fire safety, we have our own firefighting unit organised, and the Company also holds adequate fire insurance. In the area of accidents at work, we have set up a professional service that implements supervision over the observation of safety at work rules and measures. We provide regular education and training for employees. The Company holds liability insurance. We conclude written agreements with external contractors and provide them with training. We have hired a permanent coordinator for safety and health at work. We have introduced work instructions for the performance of maintenance intervention in terms of fire prevention, accident prevention and improvement of cleanliness in the workplace.	
Old burdens	Remediation of old environmental burdens	The Bukovžlak Non-Hazardous Waste Landfill (ONOB) and the barriers with their specific materials represent old burdens. We have an environmental provision set aside for them and are carrying out rehabilitation activities. Technical observation and monitoring is carried out regularly in the area of the high-filled 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 barriers or we implement measures to remedy the consequences of unfavourable weather conditions as appropriate. One of these is the triggering of a landslide after heavy August rainfall in the lower western part of the Za Travnik high-filled barrier. We are monitoring the landslide with measurements and carrying out an emergency rehabilitation intervention, which will be followed by a	Low

IV. Spatial and environmental risks			
Risk name	***General description of the risk at the company level***	**Risk management**	**Risk level**
		comprehensive rehabilitation, for which an environmental provision will be set aside.	
Legislative compliance	Loss of production and increase in costs due to non-compliance with spatial planning acts	The Company disposes of waste red gypsum from the production of titanium dioxide in the Za Travnik waste disposal facility. The existing town planning scheme and building permit allow filling up to an elevation of 300 m above sea level, which will be reached in approx. 7-8 years. Due to the new circumstances and findings during the filling/disposal, the implementation as envisaged by the project is not possible in certain parts or could lead to the demolition of the planned buildings. Another negative point is the planned inadequate drainage, which would lead to partial flooding of the site again with rainwater. Working with the professional support of the Department of Geodetic Engineering at the Faculty of Civil and Geodetic Engineering of the University of Ljubljana, the project designer prepared an amendment to the project. The amendment foresees increased amounts of red gypsum disposal and a different form of filling. The planned volumes are already entered in the environmental protection permit, and the Ministry of the Environment, Climate and Energy issued a decision that the planned change does not require a reassessment of the environmental impacts. However, it is necessary to amend the town planning scheme and building permit. We have submitted a town planning scheme amendment petition to all three municipalities concerned. The terms and conditions for the signing of the contract between the municipalities are underway which will be followed by the submission of a petition of the amendment of the	High

IV. Spatial and environmental risks			
Risk name	***General description of the risk at the company level***	**Risk management**	**Risk level**
		town planning scheme at the aforementioned Ministry. According to the entry in the ordinance of the Municipality of Šentjur, Cinkarna should have stopped filling the disposal site on 27 October 2023. Due to the removal of white gypsum and extensive subsidence, which were not foreseen in the filling project, the specified deadline was not achievable in practice. We have informed the representatives of the Municipality of Šentjur and the Blagovna local community in this regard since 2017, but they insisted on understanding the need to respect the specified date. We have obtained a legal opinion regarding the validity of such an ordinance. The opinion states that the ordinance is inconsistent with the current legislation, which is why we sent a petition to the Ministry of Natural Resources and Spatial Planning to review the legality of the Ordinance amending the ordinance on the town planning scheme for Za Travnik. The Ministry of Natural Resources and Spatial Planning referred the application to the Ministry of the Environment, Energy and Climate, which agreed with the legal opinion and called on the Municipality of Šentjur to harmonise the ordinance with the current legislation. With the goal of achieving sustainable development and a circular economy, as well as extending the available time for disposal, the Company is also developing procedures for reducing the amount of red gypsum and is looking for other options for filling in different locations.	
Legislative compliance	Imposition of penalties in the event of non-compliance with the requirements of the Soil Contamination Assessment	We are implementing the measures set out in the findings of the Report on the Review of Technical Measures to Prevent Soil and Groundwater Contamination. We need to ensure that catch basins, platforms, floors in warehouses, drains, and transport routes are fully sealed to prevent contamination of soil and groundwater with the hazardous substances concerned. The plan of	Low

IV. Spatial and environmental risks			
Risk name	***General description of the risk at the company level***	**Risk management**	**Risk level**
		necessary measures was sent as supplementation of the requirements for the preparation of a partial baseline report.	
Loss of reputation	Loss of reputation of the Company due to various factors (inadequate communication, negative environmental impacts, etc.)	The Company has processes in place at relevant departments and designated individuals responsible for investor relations, environmental prevention, health and safety, marketing, product sustainability and recruitment. This year, we have again prepared a Sustainability Report as part of the Annual Report. We collect and consider stakeholder feedback and address it in our enterprise risk management process. We act in a socially responsible manner. We have prepared a draft ESG strategy that we will upgrade in 2024 in line with the ESRS standard.	Low

V. Human resources and organisational risks			
Risk name	***General description of the risk at the company level***	**Risk management**	**Risk level**
Staff competence and availability	Loss of production and revenue due to incomplete succession policies and inadequate staff competences	We have a recruitment system in place with each position of employment having a job training programme and a mentor. 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 for individual positions of employment, 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.	Low

V. Human resources and organisational risks			
Risk name	***General description of the risk at the company level***	**Risk management**	**Risk level**
		We ensure that the active status of existing approved engineers is maintained. We have inventoried the key positions in the Company, identified possible successors, defined the time until the necessary replacement and the additional competences required. We run a leadership development programme, the Leadership Academy, for the most promising candidates. We also carry out coaching sessions for employees.	
Staff competence and availability	Loss of production and revenue due to staff shortages, untimely replacements and inadequate organisation of work	We strive to identify staffing and recruitment needs in a timely manner, with the aim of ensuring an appropriate education, skills and age structure. We continuously implement organisational changes and adapt agilely to new circumstances. In addition to traditional recruitment methods, we employ innovative recruitment solutions via social networks to find new employees. We have staff scholarships available. We have deepened our cooperation with secondary schools. We offer students in-company placement and internships as well as the option of student work. We provide students with the opportunity to work on their bachelor's, master's and doctoral theses in the Company.	Low
Legislative compliance	Imposition of penalties on the Company and the persons responsible and compensation for breaches of labour law	We regularly monitor legislation amendments and implement them in our system. We organise meetings with business units, keep each other informed and take action on an ongoing basis to correct any non-compliance. We maintain an open dialogue with our social partners.	Low

V. Human resources and organisational risks			
Risk name	***General description of the risk at the company level***	**Risk management**	**Risk level**
Corruption, theft, fraud	Potential loss of credibility and damage to the business	In making business decisions and in all actions on behalf of the Company, employees must consider the best interests of the Company before their own interests or those of third parties whereby our efforts to compete are exclusively fair and honest. We have a system in place to prevent corruption in purchasing. The appropriate and expected conduct of employees is set out in the Code of Ethics and Conduct. A mechanism is in place to disclose or report misconduct.	Low

VI. Support process risk			
Risk name	***General description of the risk at the company level***	**Risk management**	**Risk level**
Digitalisation	Loss of production and competent workforce due to slow digitalisation of control and management processes	We continue to implement several implementation goals that increase the level of digitisation, and computerize and simplify business processes: - we are upgrading modules in Power BI business analytics according to plan; - we increased the share of users and upgraded the modules in Moja Cinkarna; - we continue to establish a new document management system; - we continue to carry out the migration of Oracle Forms 6 to 12; - activities related to updating the IT maintenance system are proceeding according to plan.	Low
Cyberattack risk (security)	Production downtime due to a workstation and/or management system server cyberattack with malware to extort or steal data	We carried out a phishing test, which alerted us to certain shortcomings, which we are eliminating. We have placed an order for the purchase of two advanced network monitoring systems that will allow us to monitor the network against potential intrusions. We engaged an external expert who helped us carry out an internal audit process in this area. We will transpose the identified opportunities for improvement into practice in the coming months.	Low

Serve system downtime risk (security)	Production stoppage due to downtime of the server system for the management system (fire, earthquake, water, etc.)	We are setting up a virtualized, backup server system for management systems in two locations. Until the project has been completed, we will manage the risk with backup physical servers. We are continuing with electrical and network changes in both server rooms and adding other components where certain delays are occurring.	Low

5 INFORMATION ON SHARES AND THE OWNERSHIP STRUCTURE

5.1 Ownership structure

The share capital of Cinkarna Celje, d. d. amounts to EUR 20,229,769.66 and is divided into 8,079,770 ordinary freely transferable no-par value shares. The Company has 264,650 treasury shares (or 3.28% of the total issuance) in its treasury share fund as at the end of the period. The number of shareholders in the period is 2,628. The table below shows the ownership structure at the end of the period.

Structure of the ownership of shares 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	349,825	4.33
TR5 d.o.o	339,380	4.20
Treasury shares	264,650	3.28
KRITNI SKLAD PRVEGA POKOJNINSKEGA SKLADA	167,050	2.07
RAIFFEISEN BANK AUSTRIA D.D. – FID	158,040	1.96
NLB SKLADI - SLOVENIJA MEŠANI	118,983	1.47
CITIBANK N.A. – FID	111,960	1.39
TINFIN d.o.o.	82,000	1.01
Erste group bank AG – client	53,115	0.66
Internal shareholders – natural persons	56,767	0.70
External shareholders – natural persons	1,952,506	24.17
Others	821,324	10.15

5.2 Share trading

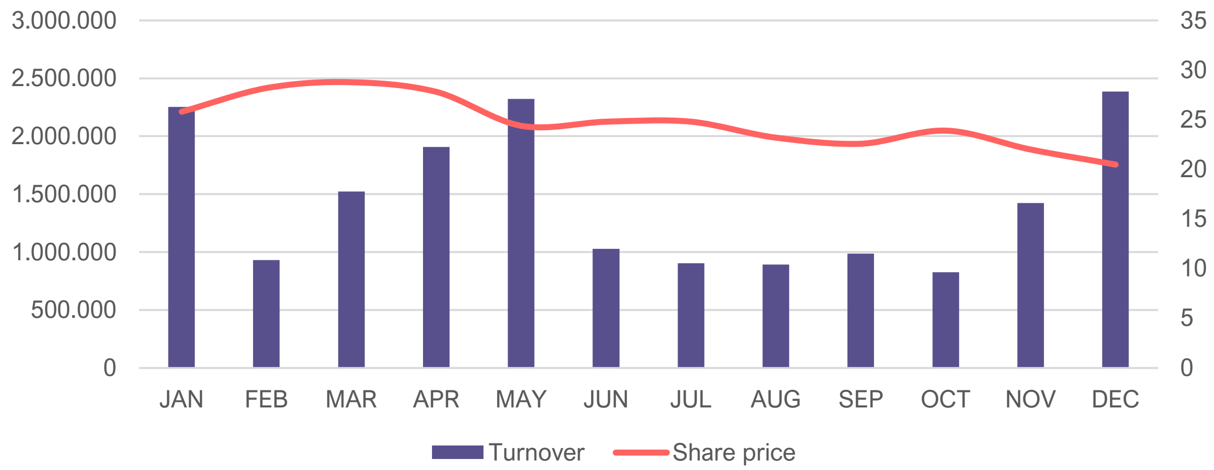
Trading in the shares of Cinkarna Celje, d. d. (ticker CICG) is performed on the free securities market. The first trading day was 6 March 1998. The average price per share as at the first day of trading was EUR 33.71. As of 16 August 2022, the trading and settlement take place according to the new regime. The quantity of shares on the market is elevated and their price is adjusted (divided by 10).

Changes in the market value of shares (average price as at the last day of the month) and trading volume value:

	Share price		Trading volume
	2022	2023	2023
JAN	26.5	25.8	2,253,633
FEB	24.4	28.2	930,531
MAR	27.8	28.8	1,521,553
APR	28.8	27.8	1,907,265
MAY	29.8	24.4	2,321,391
JUN	27.4	24.8	1,027,850
JUL	28.4	24.8	903,857
AUG	27.8	23.2	892,249
SEP	23.6	22.6	985,283
OCT	23.0	23.9	826,068
NOV	26.0	22.0	1,424,238
DEC	23.0	20.5	2,384,902

The value of the Cinkarna Celje, d. d. share listed on the prime market of the Ljubljana Stock Exchange (ticker: CICG) fluctuated between EUR 20.0 and EUR 30.2 per share during the period under consideration. From the last trading day in 2022 to the last trading day of the period under consideration, the value of the share is down by 12%.

Changes in the value of the share (right axis) and the exchange trading volume (left axis) by month



6 FOUNDATIONS OF DEVELOPMENT

6.1 Investments

The total planned value of investments in 2023 was EUR 20,479,040.00, whereby 97.04% of the planned value or EUR 19,825,303.91 was realised

During the autumn overhaul of the production of sulphuric acid, we replaced the absorption tower and heat exchanger IT2.

The basic engineering plan for the cogeneration of electricity from the steam produced during the combustion of sulphur has been completed.

Solar power plants with total installed power of 5.7 MWp are operational.

Investments in the production of titanium dioxide have been completed:

- installation of pipes for anti-dust measures at the Za Travnik waste disposal facility;
- storage container for vacuum cooling of hydrolyzate;
- third sand mill;
- system for dedusting captured sources of dust at Black Milling and Final Processing.

As a preventive measure against the announced possibility of a partial reduction in the supply of natural gas, we renovated the tank for extra light heating oil (ELKO), carried out the necessary installations and equipped one calcination furnace with a burner that would enable the use of extra light heating oil in addition to natural gas. We performed a trial run.

We mainly carried out the necessary work for the relocation of pipelines on plot 115/1 in the Teharje cadastral community.

The filter press for pigment moisture extraction has been delivered. Installation will take place in the first half of 2024.

In accordance with the plan, the installation of an additional storage tank 12.10 C took place. The work will continue in 2024.

In the coming year, we will continue investments in the modernisation of storage and preparation of lime and calcite suspensions as well as the upgrading of storm sewers with oil traps.

The upgrade of the network for TiO2 BU production process data transfer and upgrade of control and management of certain processes that have the most outdated software is underway. The Spekter production IT system was also upgraded, which will be completed in 2024.

Due to market conditions, the titanium dioxide production volume throughout the year was quite limited. We took advantage of the reduction in production to carry out a more extensive overhaul in many positions.

We drew earmarked funds from environmental provisions, i.e. 10.13% of the planned value. Only design activities took place, after which implementation will follow in 2024.

6.2 Development activity

Several development tasks and tasks aimed at the introduction of improvements to already existing technological processes, products and services were carried out at all organisational units.

Some of the most important ones are listed below.

Diversification of production programmes
We worked with the Frauenhofer Institute to analyse the market for promising materials for sodium ion batteries and the TiON material for hydrogen fuel cells. We studied the possibilities of diversification of input raw materials, production of battery materials, reduction of the amount of red gypsum for disposal, CO2 processing and the use of expanded Teflon (e-PTFE) for the field of semi-permeable membranes. We verified the concept of ferric oxalate precipitation (precursor for Li and Na ion batteries) from waste acid and produced a CAPEX estimate.

Determination of the maximum possible volume of titanium dioxide production
The outlines of the projection have been completed. It includes several stages of gradual growth and several possible scenarios. In summary, we can conclude that the estimated maximum capacity at this location complies with the environmental permit (approx. 84,000 t TiO2/year).

Weather-resistant TiO2
We carried out laboratory and industrial testing of the first production attempt, which showed the inhomogeneity of the campaign due to difficulties in adding the organic additive. At the same time, the pigment does not provide the required processability. We adjusted the formulation according to the findings and repeated the preparation of the sample in the laboratory. A repeat industrial trial will be included in the 2024 production plan when market conditions permit.

Nano TiO2-based product development
We have developed a formulation based on PTK/UF TiO2. Coating performance testing is positive.

BaSO4 development
The concept of precipitation of BaSO4 in a static mixer has been confirmed. A concept design project for the adaptation of one of the TiO2 surface treatment lines for the purpose of trial production of BaSO4 has being developed.

Processing of waste acid
We have been working on this development task for several years. The goal is to extract the useful elements it contains and return them to the process or extract them independently. The solutions so far have not yielded a result that corresponds to both a suitable chemical solution and an acceptable Capex. That is why we focused on finding a pre-concentration solution using the nano filtration technique. We will test the extraction of Fe, Ti, Sc, V... cations on the concentrate obtained in this way.

Alternative source of process water supply
At the beginning of March, we started conducting pilot tests at the Tremerje municipal treatment plant location. After a few additions, the device is operational. All phases were optimised throughout the project.

We submitted an application to the Ministry of Natural Resources and Spatial Planning for the so-called preliminary procedure of checking the conditions for the siting of the pipeline and the implementation of water treatment. We received the answer that an environmental impact assessment is not required. We obtained the project conditions from Slovenian Railways and the Slovenian Water Agency.

The Municipality of Celje has informed us that municipal detailed spatial planning documents (OPPN) will need to be adopted for the siting of the pipeline in the area. Before the end of the year, we submitted a petition for the issue of a decision on the initiation of the procedure.

Development of copper hydroxide synthesis process for the Moldavian formulation
We made a representative sample of copper hydroxide and confirmed its suitability with tests. We are also looking for a solution for the resulting waste - sodium chloride.

Development of the DN 200 venturi ball valve

A 3D model and workshop documentation for prototyping have been successfully created.

Development of powder coatings

Various binders were tested for the development of a coarse-structured low temperature E/P powder coating and the development of a system for low temperature matte E/P powder coatings. We determined the time in the oven required to reach the object temperature for both products. Quality control in the QUV chamber confirmed the required weather resistance.

The development of a system for low-temperature matte E/P powder coatings has been successfully completed.

Development of masterbatches

We have prepared various laboratory samples (our products and competition), which were tested for weather resistance by an external contractor. The weather resistance results were good. We will further upgrade the testing procedures and conduct an industrial-scale trial of incorporating an in-house weather-resistant pigment once we have achieved the required pigment quality characteristics. The product produced so far does not yet provide the required processability for incorporation into the masterbatch.

We have defined the substitution of input raw materials for all colour masterbatches with bio-degradable ones.

6.3 Quality assurance

We manage various aspects of business (quality, environment, safety and health at work) with an integrated management system (IMS). The structure of the IMS is based on the ISO 9001 standard, which has been upgraded and expanded with ISO 14001 and ISO 45001. This year, we initiated procedures for the introduction of ISO 50001 (area of energy use). We plan to undergo the certification in the middle of next year.

Our laboratories are accredited according to the SIST EN ISO 17025 standard for wastewater monitoring. This year, we have successfully extended accreditation by two additional parameters (TOC, TNb) and completed an external audit with just a few recommendations.

We implemented the annual plan of internal audits. We audited BUs and services that have not been checked recently and reviewed the completion of measures and the effectiveness of previous assessments.

External auditors conducted an audit of the compliance of our integrated management system with ISO standards for 2023 at the end of May. No discrepancies were found, but some recommendations for improvements were made.
We regularly monitor the number of warranty returns, complaints and comments by buyers and respond with corrective measures. Warranty returns are rare.

We are continuing the activities on the project aimed at the development of new qualities of titanium dioxide and quality stabilisation. We carry out optimisations on individual production processes according to the planned sequence, which should help to raise and stabilise the quality level of our pigments.

The broader framework for Company operations quality assurance involves the project for the drafting of a business continuity plan. We prepared a business continuity plan for a critical process, a business continuity strategy for the Company, training and an exercise with a concrete example of a crisis situation, which we also analysed. We must now provide for the maintenance and upgrading of the introduced system.

Continuous improvements necessitated by quality standards and guidelines are the driving force behind progress and continuous improvement in all areas of the Company's operation. The useful proposal collection system (CC UM) received 244 proposals in 2023 which represents 0.33 improvements per employee.

6.4 Environmental management

In the area of the environment, we had three sets of tentative goals in 2023. They were intended to eliminate environmental risks and ensure sustainable development and legislative compliance.

I. **Measures for the elimination of risk in the area of environmental protection**

We implemented measures to increase the safety of the Za Travnik high-filled barrier (obtaining the necessary documentation and permits for the construction of a reinforcing embankment is underway, while the detailed design for drainage ribs on the eastern flank has been obtained). At the Bukovžlak Non-Hazardous Waste Landfill, we prepared documentation for the construction of a facility to reduce lake formation and the construction of a drainage ditch for overflow water with a measuring point. We concluded by carrying out a detailed monitoring of the condition of the Bukovžlak Non-Hazardous Waste Landfill due to the inflow of filtrate from the gypsum filtration plant and produced a report. Activities were carried out to establish more comprehensive monitoring of waste water according to the requirements of the modified environmental permit (adaptation of BAT CWW) and monitoring was carried out in accordance with the requirements of the environmental permit. We carried out two evacuation drills at the Chemistry Celje BU with the aim of checking the response to emergency situations and four tactical fire drills (fire in the building and spillage of dangerous substances). We are preparing the basis for digitisation of procedures for registration, analysis and control over the implementation of measures in case of extraordinary events, accidents, near misses, injuries at work, etc. and raising employee awareness of the importance of identifying and eliminating potential hazards for accidents. Business continuity plans for a critical process have been developed, a business continuity strategy for the Company has been developed, training and an exercise with analysis for a concrete case of a crisis situation have been carried out.

II. **Sustainable development and circular economy**

As part of sustainable development and the introduction of a circular economy, we have set goals in the following areas.

a. Use of renewable resources

We continued the project of setting up solar power plants and co-generation of electricity from steam. Total installed power of 5.78 MWp was achieved in 2023. The basic engineering and performance studies for the steam turbine have been prepared.

a. Energy efficiency

We produced an analysis of the electrical conditions of the entire medium voltage network. We renovated two energy transformers and replaced 21 electric motors with more energy-efficient ones and some other energy-wasting devices with more efficient ones. We carried out an energy improvement on the metatitanic acid pre-drying process and continue to optimise heat flows with the aim of reducing gas consumption. A building permit is being obtained for the installation of a battery storage unit, and possibilities for obtaining grants are being sought. We optimised the production and use of compressed air. We overhauled part of the lighting and replaced it with energy-saving lighting (replacement in the powder varnishes building and most of the lighting in TiO_2; we will continue the activities in 2024). An energy management system has been installed in the Chemistry Mozirje BU, the installation is planned for the beginning of February 2024.

a. Waste volume

We plan to reduce the amount of waste by increasing the CEGIPS extraction capacity and have therefore started the process of preparing project documentation and obtaining the construction licence for the construction of the 7th centrifuge. In 2023, we increased the specific amount of white gypsum extracted to an average amount of 2.95 tonnes of white gypsum per tonne of calcinate and introduced procedures to increase yields in the production of TiO2. We carried out activities to reduce the amount of colour MB plastic waste by way of return and reuse, whereby reuse enabled us to reduce the amount of waste in the processing of PFA. By planning and optimising meals for snacks, we reduced the amount of wasted food. A contract was concluded with a contractor for capturing and compressing CO2 from Neutralization. Projects are being prepared.

a. Reuse of materials

We have developed a process for processing copper-bearing sludge at the laboratory level. We investigated the possibilities of different methods of incorporation / use of waste dust from powder coatings (filter dust). We offer our customers the option of refurbishing and servicing worn-out elements (valves, connections, pipes). We are introducing solutions for the reuse of pallets in production (98% of them are returned in internal logistics) and textile containers in internal logistics (up to 5x).

a. Reduction of emissions into the working and external environment

At the TiO2 BU, we continuously eliminate dust sources at workplaces. We have replaced the catalyst - activated charcoal - in all four sulfacid reactors and thus significantly reduced SOx emissions into the environment. At the Chemistry Mozirje BU, we are installing a central extraction system in the powder coating laboratory. In the production of blue copper, the tightness of the waste water catch basin was verified and confirmed.

a. Sustainable purchasing

We have prepared the "Sustainability Supplier Code of Conduct" and sent it to key suppliers.

III. **Maintaining/ensuring legislative compliance**

We are carrying out activities to amend and supplement the Za Travnik development plan. The 2nd phase of upgrading the storm sewer system with oil traps is nearing completion. We have obtained REACH registration for copper oxychloride, while confirmation of copper hydroxide equivalence is being obtained. REACH registration activities are ongoing in various non-EU markets for TiO2 and intermediates. As part of the consortium, we are preparing the required data on nano TiO2 surface treatments for the purposes of supplementation of the registration file. We are monitoring the activities of the EU Chemical Strategy for Sustainability (CSS) in terms of identifying requirements for our products and raw materials. Working with an external associate, we calculated the LCA for titanium dioxide for 2021.

The reconstruction of the closed Bukovžlak Non-Hazardous Waste Landfill is continuing - in 2023, the design of the C1 liner and drainage was carried out based on the results obtained in the test fields. On plot 115/1, we moved the pipeline for gypsum suspension in accordance with the contract with the Ministry of the Environment, Climate and Energy. We still need to connect cathodic protection, construct a maintenance road and install protective pipes for the electrical connection.

We underwent one extraordinary environmental inspection because a report was filed against us. They checked the operation of the waste disposal facilities (Bukovžlak and Za Travnik) in connection with the pollution of the Vzhodna Ložnica watercourse. They found no deficiencies. Regular inspections of the Bukovžlak Non-Hazardous Waste Landfill were also carried out. No shortcomings were found.

There were no complaints from the public in the first quarter of the year. In the second quarter, there was one complaint that turned out to be unrelated to our production (smoke from a neighbouring company due to a small fire as a result of a lightning strike). In the third quarter, there were three complaints from the public about smoke and stench. In one case, it was found that the complaint was justified because there was a failure of the compensator in the separation plant and, as a result, the release of untreated gases from separation. There were no complaints in the fourth quarter of the year.

In accordance with the legislative requirements, we prepared and submitted all monitoring reports for 2022 and carried out all required monitoring of the state of the environment planned for 2023. No limit values were exceeded. Regular activities were carried out for the harmonisation of environmental permits due to the introduced changes with the Ministry of Environment, Climate and Energy. We also cooperated with the Chamber of Commerce and Industry and the Chemical Industry Association in harmonising requirements in the fields of the environment and energy. We published an Annual Report for 2022, which also included a report on sustainable development in accordance with GRI standards.

All obligations for the reacquisition of the POR certificate, which was granted in January 2024, were completed. We received the silver "Ecovadis sustainability rating" with a universal system of indicators that measures the success in achieving the required indicators in the field of environmental protection, human rights protection, employee health, ethics and sustainable purchasing. We are also filling in an increasing number of questionnaires regarding sustainable development commitments.

6.5 Health and safety

The Health and Safety at Work Service carries out activities in the field of ensuring compliance with legislative requirements in the field of health and safety at work and fire safety. By introducing the activity of identifying, recording and eliminating potential hazards and near misses in the working environment, the Company actively works to reduce accidents at work and improve conditions at the workplace. We implement preventive fire safety measures to prevent fires and regularly provide control, inspections and servicing of firefighting equipment to ensure active fire protection.

Comparison of the trend of accidents at work/on trips and injury-related absence from work (2014-2023)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Number of employees – monthly average	987	976	941	899	905	873	841	801	775	755
No. of reported NM	37	10	14	9	5	3	3	6	7	10
No. of reported PH	62	79	105	79	61	56	47	32	85	117
No. of eliminated PH	88	71	86	65	57	52	47	32	85	95
PRP factor	22.3	23.0	14.9	13.0	5.7	5.0	4.7	8.5	4.1	5.6
No. of injuries at work	22	20	15	14	15	13	12	10	7	12
No. of lost days	1000	1122	934	837	346	334	329	682	451	371
No. of injuries/100 employees	2.2	2.1	1.6	1.6	1.7	1.5	1.4	1.2	0.9	1.6
No. of injuries on trips	0	2	0	0	0	0	0	0	0	0
No. of lost days	0	43	0	0	0	0	0	0	0	0

NM – near-miss events; PH – potential hazard; PRP factor – ratio between the number of injuries, BS and No. of employees (factor of frequency and severity of injuries at work)

The Company regularly promotes employee health according to a developed program. In the previous year, we carried out the following health education content:

1) Prevention of cardiovascular diseases - risk factors:
- body composition measurements;
- control of blood fats and blood sugar;
- elevated blood fats levels (workshop in cooperation with the Centre for Health Promotion).

2) Sports activities
- "Biking to Work" (GAMSI cycling club);
- organised sports activities (badminton, table tennis, boxing, bowling, etc.);

- 20% discount for using the facilities in the surrounding spas;
- team building.

- 3) Preventive activities for early detection of cancer:
  - support for the SVIT programme – article in a newsletter.

4) Healthy breakfast:
- promotion of the traditional Slovenian breakfast.

5) First aid in the workplace:
- first aid procedures for chemical injuries - use of Difotherin;
- basic resuscitation procedures.

6) Protection against infectious diseases

7 FINANCIAL STATEMENTS

7.1 Income statement

Income Statement for the period from 1 January to 31 December

	YEAR 2023	YEAR 2022
Revenue from contracts with customers	**176,464,289**	**227,153,116**
- revenue from contracts with customers (domestic market)	14,889,861	18,781,919
- revenue from contracts with customers (foreign market)	161,574,428	208,371,196
Change in inventories of finished products and work in progress	-6,549,243	14,113,923
Capitalised own products and own services	3,019,539	2,442,358
Cost of goods and materials sold	296,838	200,613
Costs of materials	106,375,957	134,953,778
Costs of services	16,047,941	16,229,210
Labour costs	30,656,494	29,483,416
a) Cost of wages and salaries	22,408,797	20,807,538
b) Cost of social security	1,718,221	1,713,847
c) Cost of pension insurance	2,407,614	2,432,717
d) Other labour costs	4,121,862	4,529,314
Depreciation expense	12,355,367	12,150,684
Other operating revenues	1,847,962	7,749,919
Other operating expenses	4,338,745	5,264,418
Impairments and write-down of operating receivables	25,096	1,553
Operating profit or loss	**4,686,109**	**53,175,643**
Finance income	1,911,731	1,564,464
Finance expenses	828,878	2,024,533
Financial result	**1,082,853**	**-460,070**
Pre-tax operating profit or loss	**5,768,962**	**52,715,574**
Tax charged	**478,713**	**8,789,599**
Deferred tax	**199,154**	**-529,510**
Corporate income tax	**279,559**	**9,319,109**
Net profit or loss for the financial year	**5,489,402**	**43,396,465**
Basic and diluted earnings per share (EPS)	**0.68**	**5.37**

7.2 Statement of the Company's financial position

Statement of the Company's financial position

	31 December 2023	31 December 2022
ASSETS		
Non-current assets		
Intangible assets	1,585,108	1,208,224
Property, plant and equipment	109,855,569	104,083,017
Land	9,532,167	9,604,509
Buildings	39,609,507	41,616,487
Production plant and machinery	51,068,573	41,447,746
Other plant and equipment	41,792	46,211
Property, plant and equipment under construction and in production	9,603,529	10,276,338
Advances for the acquisition of property, plant and equipment	0	1,091,727
Financial assets measured at fair value through other comprehensive income	1,558,531	1,973,765
Financial receivables	0	0
Operating receivables	0	0
Other non-current assets	84,444	68,049
Deferred tax assets	1,303,575	1,226,475
Total non-current assets	**114,387,227**	**108,559,530**
Current assets		
Assets held for sale	0	0
Inventories	53,841,480	72,754,823
Materials	32,611,021	45,206,025
Work-in-progress	2,469,985	3,266,936
Products and merchandise	18,466,478	24,216,888
Advances for inventories	293,996	64,974
Assets based on contracts with customers	0	0
Financial receivables	38,616,117	0
Operating receivables	30,023,136	24,290,543
Trade receivables	27,437,194	22,087,040
Other receivables	2,585,942	2,203,503
Corporate income tax assets	6,318,930	0
Cash and cash equivalents	15,687,805	45,210,098
Other current assets	209,028	133,009
Total current assets	**144,696,496**	**142,388,473**
Total assets	**259,083,723**	**250,948,003**

Statement of the financial position (continued)

	31 December 2023	31 December 2022
EQUITY AND LIABILITIES		
Equity		
Called-up capital	20,229,770	20,229,770
Capital surplus	44,284,976	44,284,976
Revenue reserves	123,035,102	120,290,401
Legal reserves	16,931,435	16,931,435
Reserves for treasury shares	4,814,764	4,814,764
Treasury shares	-4,814,764	-4,814,764
Other revenue reserves	106,103,667	103,358,966
Fair value reserve	-1,425,189	-809,390
Retained earnings	27,759,093	25,014,391
Total equity	**213,883,752**	**209,010,148**
Non-current liabilities		
Provisions for employee benefits	3,843,523	3,651,696
Other provisions	14,662,600	14,816,968
Non-current deferred revenues	765,295	363,054
Financial liabilities	0	0
Operating liabilities	0	0
Liabilities from contracts with customers	0	0
Deferred tax liabilities	0	0
Total non-current liabilities	**19,271,418**	**18,831,718**
Current Liabilities		
Liabilities included in disposal groups	0	0
Financial liabilities	103,692	59,392
Operating liabilities	18,530,350	19,518,145
Trade payables	14,656,554	14,898,860
Other liabilities	3,873,796	4,619,285
Liabilities for the corporate income tax	0	2,367,161
Liabilities from contracts with customers	11,351	157,520
Other current liabilities	7,283,161	1,003,919
Total current liabilities	**25,928,554**	**23,106,137**
Total liabilities	**45,199,972**	**41,937,855**
Total equity and liabilities	**259.083.723**	**250.948.003**

7.3 Statement of changes in equity

Statement of changes in equity in 2023

CINKARNA Metalurško - kemična industrija Celje, d. d.	Called-up equity	Capital reserves	Revenue reserves				Fair value reserves	Retained earnings		Total equity
			Legal reserves	Reserves for treasury shares	Treasury shares	Other revenue reserves		Net profit or loss brought forward	Net profit or loss for the financial year	
Opening balance for the period	**20,229,770**	**44,284,976**	**16,931,435**	**4,814,794**	**-4,814,794**	**103,358,966**	**-809,390**	**84,159**	**24,930,233**	**209,010,148**
Changes in equity - transactions with owners								**24,922,418**		**24,922,418**
Buyback of treasury shares										0
Withdrawal of treasury shares										0
Dividend distribution								24,922,418	0	24,922,418
Total comprehensive income for the period							**-615,799**	**0**	**5,968,116**	**5,352,317**
Entry of net profit or loss for the period									5,968,116	5,968,116
Other items of total comprehensive income in the period							-615,799			-615,799
B3. Changes in equity						**2,744,701**		**24,930,232**	**-27,674,934**	**0**
Allocation of the remaining net profit for the period to other equity components										0
Part of the net profit brought forward for the period to other equity components according to the resolution of management and supervisory bodies						**2,744,701**		**24,930,232**	**-27,674,934**	**0**
Formation of reserves for treasury shares										0
Release of reserves for treasury shares										
Closing balance for the period	**20,229,770**	**44,284,976**	**16,931,435**	**4,814,794**	**-4,814,794**	**106,103,667**	**-1,425,189**	**25,014,391**	**2,744,702**	**213,883,752**
DISTRIBUTABLE PROFIT								**25,014,391**	**2,744,702**	**27,759,093**

Statement of changes in equity in 2022

CINKARNA Metalurško - kemična industrija Celje, d. d.	Called-up equity	Capital reserves	Revenue reserves				Fair value reserves	Retained earnings		Total equity
			Legal reserves	Reserves for treasury shares	Treasury shares	Other revenue reserves		Net profit or loss brought forward	Net profit or loss for the financial year	
Opening balance for 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**
Buyback of treasury shares										0
Withdrawal of treasury shares										0
Dividend distribution								24,922,418	0	24,922,418
Total comprehensive income for the period							**370,312**	**0**	**43,396,465**	**43,766,777**
Entry of net profit or loss for the period									43,396,465	43,396,465
Other items of total comprehensive income in the period							545,012			370,312
B3. Changes in equity						**18,466,232**		**24,920,343**	**-43,386,575**	**0**
Allocation of the remaining net profit for the period to other equity components										0
Part of the net profit brought forward for the period to other equity components according to the resolution of management and supervisory bodies						18,466,232		24,920,343	-43,386,575	0
Formation of reserves for treasury shares										0
Release of reserves for treasury shares										
Closing balance for the period	**20,229,770**	**44,284,976**	**16,931,435**	**4,814,794**	**-4,814,794**	**103,358,966**	**-809,390**	**84,159**	**24,930,232**	**209,010,148**
DISTRIBUTABLE PROFIT								**84,159**	**24,930,232**	**25,014,391**

7.4 Statement of cash flows for the period

Statement of cash flows for the period from 1 January to 31 December

	FOR 2023	FOR 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Pre-tax net operating profit or loss	**5,768,962**	**52,715,574**
Adjustments for:	**15,678,565**	**8,918,972**
amortisation +	12,355,367	12,150,684
Profit/loss from the disposal of fixed assets	130,529	-7,253
Impairment/write-down (reversal of impairment) of assets	1,227,035	475,817
Net reduction/revaluation adjustment of receivables	25,096	1,553
Net finance income/expenses	1,082,853	-493,615
Formation of non-current provisions	1,797,223	3,483,991
Reversal of non-current provisions	-939,538	-6,692,205
Cash flow from operating activities prior to change in net current assets (working capital)	**6,308,355**	**-40,604,816**
Changes in the balance of operating receivables	-5,757,689	6,880,807
Changes in the balance of other non-current and current assets	-76,019	7,194
Changes in the balance of inventories	17,730,678	-32,788,789
Changes in the balance of operating liabilities	-987,794	-7,278,748
Changes in the balance of provisions	37,458	-1,158,030
Changes in the balance of deferred revenues	402,241	147,304
Changes in the balance of other current liabilities	2,631,260	-13,549
Changes in the balance of liabilities from contracts with customers	-146,169	21,432
Corporate income tax paid	-7,525,611	-6,422,438
Net cash flow from operating activities	**27,755,882**	**21,029,730**
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts from investing activities	**1,119,833**	**43,512**
Interest received	1,119,833	20,235
Dividends received	0	16,025
Receipts from the disposal of property, plant and equipment	0	7,253
Disbursements from investing activities	-58,441,421	-10,546,495
Disbursements for the acquisition of intangible assets	-621,559	-436,676
Disbursements for the acquisition of property, plant and equipment	-19,203,744	-10,109,820
Disbursements for the acquisition of financial assets	-38,616,117	0
Net cash flows from investing activities	**-57,321,588**	**-10,502,983**
Cash flows from financing activities		
Receipts from financing activities	**0**	**0**
Receipts from the increase in financial liabilities	0	0
Disbursements from financing activities	**43,413**	**-25,063,273**
Disbursements for repayment of financial liabilities	44,300	-138,140
Interest paid	-887	-2,715
Disbursements for the buyback of treasury shares	0	0
Disbursements for dividends and other profit distributions	0	-24,922,418
Net cash flow from financing activities	**43,413**	**-25,063,273**
Closing balance of cash and cash equivalents	**15,687,805**	**45,210,068**
Net increase/decrease in cash and cash equivalents	**-29,522,293**	**-14,536,526**
Opening balance of cash and cash equivalents as at 1 January	**45,210,098**	**59,746,594**

7.5 Statement of other comprehensive income

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

	FOR 2023	FOR 2022
Net profit	**5,489,402**	43,396,465
Other comprehensive income for the year	0	0
Other comprehensive income for the year that will not be recognised in profit or loss in the future	0	0
Other comprehensive income for the year that will be recognised in profit or or loss in the future	0	0
Change in the fair value through other comprehensive income	-415,234	322,666
Recalculation of post-employment benefits plans	78,512	222,345
Impact of deferred taxes	-122,053	-174,700
Other comprehensive income for the year that will not be recognised in profit or loss in the future	-458,775	370,311
Other comprehensive income for the year (after tax)	**-458,775**	**370,311**
Total comprehensive income for the year (after tax)	**5,030,627**	**43,766,776**

8 NOTES TO THE FINANCIAL STATEMENTS

1 Reporting by segment

Sales by business segment

In EUR

	FOR 2023	FOR 2022
Titanium dioxide	146,042,369	189,740,282
- of which TiO2 pigment	*143,356,887*	*186,385,200*
Zinc processing	5,637,539	8,240,209
Varnishes, coatings, masterbatches	16,579,785	18,516,808
Agricultural programme	5,443,530	8,481,917
Polymers	2,148,761	1,647,402
Other	612,307	526,498
TOTAL	**176,464,289**	**227,153,116**

Sales by regional segment

In EUR

	FOR 2023	FOR 2022
Slovenia	14,889,861	18,781,919
European Union	134,006,280	173,950,706
Market of the countries of former Yugoslavia	3,395,401	4,959,791
Third countries	19,504,886	27,117,372
Third countries – dollar market	4,667,861	2,343,328
TOTAL	**176,464,289**	**227,153,116**

Profit or loss by area segments

In EUR

	Titanium dioxide		Zinc processing		Varnishes, coatings, masterbatches		Agricultural programme		Polymers		Other		Total	
	31 December 2022	**31 December 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**	**31 December 2023**
- Revenue from contracts with customers	189,740,282	146,042,369	8,240,209	5,637,539	18,516,808	16,579,785	8,399,825	5,443,530	1,647,671	2,148,761	608,321	612,306	**227,153,116**	**176,464,289**
Other operating revenues	7,297,949	1,622,665	7,467	1,953	34,273	16,354	21,777	66,134	287,853	260,983	2,542,957	2,899,413	**10,192,276**	**4,867,501**
Changes in the value of inventories	13,804,333	-6,293,658	45,758	-10,368	767,982	-117,437	-494,589	-118,274	0		-9,561	-9,506	**14,113,923**	**-6,549,243**
Operating cost	-160,479,827	-135,929,022	-8,112,153	-5,553,788	-16,451,079	-16,577,133	-7,864,834	-6,415,451	-1,637,649	-1,939,868	-3,738,133	-3,681,175	**-198,283,673**	**-170,096,438**
- of which amortisation/depreciation	-8,521,698	-8,788,685	-79,813	-65,421	-395,688	-385,472	-292,084	-270,655	-187,876	-188,449	-2,673,525	-2,656,685	**-12,150,684**	**-12,355,367**
Operating profit or loss	**50,362,737**	**5,442,353**	**181,281**	**75,335**	**2,867,986**	**-98,431**	**62,179**	**-1,024,061**	**297,876**	**469,875**	**-596,416**	**-178,962**	**53,175,643**	**4,686,109**
Interest income													**20,235**	**1,121,471**
Other finance income													**16,025**	**0**
Interest expenses													**2,714**	**887**
Other finance expenses													**493,615**	**37,730**
Financial result	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-460,069**	**1,082,853**
Deferred taxes													**-529,510**	**199,154**
Corporate income tax													**8,789,599**	**478,713**
Net profit	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**43,396,465**	**5,489,402**

2 Revenue from contracts with customers

Revenues from contracts with customers consist of the sales values of sold products, merchandise and material, and services rendered in the accounting period. The breakdown of net sales revenues by area and regional segments is shown below.

In EUR

	2023	2022
Net revenues from contracts with the customers for products and services	175,954,207	226,584,095
Net revenues from contracts with the customers for goods and materials	510,082	569,021
TOTAL	**176,464,289**	**227,153,116**

3 Other operating revenue

In EUR

Income	2023	2022
Income from depreciation of assets received free of charge	512,916	505,649
Profit from disposal and write-downs of assets	60,045	7,253
Revenues from government grants – Covid-19	0	34,430
Revenues from government grants – Energy Act	0	300,000
Recovered written-off receivables	2,011	0
Compensations received	27,562	23,763
Compensation for the coverage of indirect costs of greenhouse gas emissions for 2022	277,257	0
Reversal of non-current provisions	939,538	6,817,354
Other revenues	28,633	51,471
TOTAL	**1,847,962**	**7,739,920**

4 Costs by functional group

In EUR

	2023	2022
Cost of goods and materials sold	296,838	200,613
Costs of materials	106,375,957	134,953,778
Costs of services	16,047,941	16,229,210
Labour costs	30,656,494	29,483,416
Depreciation expense	12,355,367	12,150,684
Other operating expenses	4,338,745	5,264,418
Impairments and write-down of operating receivables	25,096	1,553
TOTAL	**170,096,438**	**198,283,671**

5 Labour costs

In EUR

Labour costs	2023	2022
Salaries, wages and compensations for salaries and wages	22,408,797	20,807,538
Social security contributions	3,706,668	3,718,924
Reimbursements of expenses to employees and other employee income	4,121,862	4,529,314
Supplementary pension insurance	419,167	427,640
TOTAL	**30,656,494**	**29,483,416**

The Company had 742 employees as at 31 December 2023. The average number of employees was 754.

6 Amortisation and depreciation expense

The Company uses the straight-line depreciation method to depreciate fixed assets over the expected useful life of an individual fixed asset. Depreciation is debited to the value of an individual fixed asset (item of property, plant and equipment).

In EUR

Description	2023	2022
Depreciation expense		
- intangible assets	244,677	209,123
- easement	72,342	72,342
- buildings	3,399,172	3,271,577
- production equipment	8,634,426	8,592,476
- other equipment	4,751	5,166
TOTAL	**12,355,367**	**12,150,684**

7 Operating expenses

<u>Operating expenses</u>

In EUR

Expense	2023	2022
Costs of materials	106,375,957	134,953,778
Costs of services	16,047,941	16,229,210
Cost of goods and materials sold	296,838	200,613
Other operating expenses	4,338,745	5,264,418
TOTAL	**127,059,480**	**156,648,018**

Other operating expenses

In EUR

Other operating expenses	2023	2022
Provisions for ecology	1,280,646	3,393,314
Eco taxes and reimbursements	42,775	393,070
Bonuses to pupils and students undergoing in-company placement	247,804	225,487
Charge for the use of building land	565,939	562,120
Revaluation of inventories of materials and goods	1,181,817	332,443
Loss from the disposal of property, plant and equipment and impairments	234,944	143,377
Other costs and expenses	784,821	214,609
TOTAL	**4,338,745**	**5,264,418**

8 Finance income and expenses

In EUR

Income	2023	2022
Net exchange rate differences	105,125	0
Income from interest and participating interests	1,121,471	20,235
Dividend income	0	16,025
Total finance income	1,226,596	36,259
Net exchange rate differences	0	-457,614
Interest expenses	-887	-2,715
Interest on provisions for severance pay and jubilee benefits	-142,856	-36,000
Total finance expenses	-143,743	-496,329
Net increase/decrease in cash and cash equivalents	**1,082,853**	**-460,070**

9 Corporate income tax

The accounted tax at the effective tax rate of 8.3% stands at EUR 478,713.

10 Intangible assets

v €

Group of intangible assets for 2023	Cost		Adjustment		Carrying amount	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Property rights	6,161,514	5,845,554	5,093,263	4,907,487	1,068,251	938,067
Assets being acquired	516,856	270,158	0	0	516,856	270,158
TOTAL	**6,678,369**	**6,115,711**	**5,093,263**	**4,907,487**	**1,585,107**	**1,208,224**

The useful lives of intangible assets are final. The Company verified their values and found that their current value does not exceed their recoverable amount.

11 Property, plant and equipment

In EUR

Group of property, plant and equipment for 2023	Cost		Adjustment		Carrying amount	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Land	10,803,263	10,803,263	1,271,096	1,198,754	9,532,167	9,604,509
Buildings	130,042,752	128,674,115	90,433,245	87,057,629	39,609,507	41,616,487
Equipment	239,932,766	225,138,242	188,822,401	183,644,286	51,110,365	41,493,957
Assets being acquired	9,603,529	10,276,338	0	0	9,603,529	10,276,338
Advances	0	1,091,727	0	0	0	1,091,727
TOTAL	**390,382,311**	**375,983,686**	**280,526,742**	**271,900,668**	**109,855,569**	**104,083,017**

The Company verified their values and found that their current value does not exceed their recoverable amount. The Company holds no assets under finance lease. As at 31 December 2023, the Company also had no assets pledged as collateral.

12 Financial assets

In EUR

Group of non-current financial assets for 2023	Cost		Adjustment		Fair value	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Other investments	2,077,692	2,077,692	519,161	103,927	1,558,531	1,973,765
TOTAL	**2,077,692**	**2,077,692**	**519,161**	**103,927**	**1,558,531**	**1,973,765**

Investments in the shares of Elektro Celje and Elektro Maribor are valued according to the fair value model and their share in the total shares of the mentioned companies is less than 1%. The Company verified the value of the investments on the last balance sheet day of 2023 and disclosed a decrease in their value through an increase in the revaluation adjustment of investments in the amount of EUR 415,233 and a decrease in the reserves resulting from the revaluation.

Members of the Management and Supervisory Boards did not receive any long-term loans. Cinkarna Celje, d. d. has no subsidiary or associated company and does not do business with related parties.

13 Other non-current assets

In EUR

Group of other non-current assets for 2023	Cost		Adjustment		Carrying amount	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Emission allowances	84,444	68,049	0	0	84,444	68,049
TOTAL	**84,444**	**68,049**	**0**	**0**	**84,444**	**68,049**

In 2023, the Company handed over 24,002 emission allowances for the 2022 financial year to ARSO for CO2 emissions and, based on the decision, received 40,397 allowances for the 2023 financial year.

14 Deferred tax assets and tax liabilities

In EUR

Deferred tax assets	31 December 2023	31 December 2022
Provisions for ecology purposes	1,337,601	1,125,085
Provisions for post-employment and other non-current employee benefits	275,464	289,782
Trade receivables	7,009	6,054
Total deferred tax assets	**1,620,074**	**1,420,921**
Deferred tax liabilities	-316,499	-194,446
Balance	**1,303,575**	**1,226,475**

15 Current financial receivables

In EUR

Group of current financial receivables for 2023	Investment value		Adjustment of investments		Net investments	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Current financial receivables - treasury bills	38,616,117	0	0	0	38,616,117	0
TOTAL	**38,616,117**	**0**	**0**	**0**	**38,616,117**	**0**

16 Inventories

In EUR

Group of inventories	31 December 2023	31 December 2022	Realisable value
Materials	32,611,021	45,206,025	32,611,021
Work-in-progress	2,469,985	3,266,936	2,469,985
Products	18,434,810	24,187,102	21,323,982
Merchandise	31,669	29,786	31,669
Advances given	293,996	64,974	293,996
TOTAL	**53,841,480**	**72,754,823**	**56,730,652**

Inventories have not been pledged as collateral. Advances given comprise funds provided for the acquisition of raw materials and materials. The net realisable value of inventories as at 31 December 2023 exceeds their carrying amount.

17 Operating receivables

Current trade receivables

In EUR

Group of receivables for 2023	Value of receivables		Adjustment		Net receivables	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Buyers in the country	2,841,398	2,947,578	266,985	266,985	2,574,413	2,680,593
Foreign buyers	25,012,549	19,407,517	394,858	371,794	24,617,691	19,035,723
Exporting agents	242,410	368,044	0	0	242,410	368,044
Receivables on behalf of others	2,681	2,681	0	0	2,681	2,681
TOTAL	**28,099,037**	**22,725,820**	**661,843**	**638,780**	**27,437,194**	**22,087,040**

Trade receivables are insured with an external institution as of 1 June 2021.

Movement of value adjustments of current trade receivables

In EUR

2023	Balance as at 31 December 2022	Formed value adjustment in 2023	Paid written-off receivables	Balance as at 31 December203
Buyers in the country	266,985	0	0	266,985
Foreign buyers	371,794	25,075	2,011	394,858
TOTAL	**638,780**	**25,075**	**2,011**	**661,844**

Group of trade receivables by due date

In EUR

Group of receivables by Maturity	Gross value as at 31 December 2023	Adjustment as at 31 December 2023	Gross value as at 31 December 2022	Adjustment as at 31 December 2022
Non-past-due	24,024,487	16,944	19,743,148	15,763
Past due up to 15 days	2,913,989	2,050	1,960,633	1,569
Past due from 16 to 60 days	432,721	1,180	345,946	1,633
Past due from 61 to 180 days	109,582	23,954	56,335	56
Past due by more than 180 days	618,259	617,716	619,758	619,759
TOTAL	**28,099,038**	**661,844**	**22,725,819**	**638,780**

Other current receivables

In EUR

Group of receivables	31 December 2023	31 December 2022
Receivables for VAT	2,210,850	1,984,953
Receivables from state institutions	77,506	167,293
Receivables due from employees	6,771	23,060
Other receivables	290,815	28,197
TOTAL	**2,585,942**	**2,203,503**

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

18 Cash and cash equivalents

In EUR

Group of assets	31 December 2023	31 December 2022
Cash in hand	30	30
Bank balances	5,687,775	24,210,068
Short-term call deposits	10,000,000	21,000,000
TOTAL	**15,687,805**	**45,210,098**

Cash is deposited with domestic banks and remunerated at a fixed annual interest rate.

19 Other current assets

Other current liabilities of the Company include short-term deferred costs or expenses and VAT on received advances.

In EUR

Description	31 December 2023	31 December 2022
Prepaid expenses	142,307	100,859
VAT on advances received	1,681	32,150
Other	65,040	0
TOTAL	**209,028**	**133,009**

20 Equity

In EUR

Equity items	31 December 2023	31 December 2022
Called-up capital	20,229,770	20,229,770
Capital surplus	44,284,976	44,284,976
Legal reserves	16,931,435	16,931,435
Reserves for treasury shares	4,814,764	4,814,764
Treasury shares	-4,814,764	-4,814,764
Other revenue reserves	106,103,667	103,358,966
Fair value reserve	-1,425,189	-809,390
Retained earnings	27,759,093	25,014,392
TOTAL EQUITY	**213,883,752**	**209,010,148**

The Company's share capital comprises 8,079,770 freely transferable no-par value shares of the same class. All no-par value shares have the same nominal value and have been paid up in full. As at the balance sheet date of 31 December 2023, share capital stands at EUR 20,229,770. The Company has 264,650 treasury shares in its portfolio as at 31 December 2023. The Company did not buy back treasury shares in 2023.

21 Non-current liabilities

In EUR

Group of non-current liabilities	31 December 2023	31 December 2022
Provisions for severance pay and jubilee benefits	3,843,523	3,651,696
Environmental provisions	14,662,600	14,816,968
Government grants received – emission allowances	65,120	44,047
Deferred revenues	700,175	319,007
TOTAL	**19,271,418**	**18,831,718**

<u>Post-employment employee benefits</u>

In EUR

Post-employment employee benefits	31 December 2023	31 December 2022
Provisions for severance pay	3,101,653	3,204,640
Provisions for jubilee benefits	741,870	447,056
TOTAL	**3,843,523**	**3,651,696**

In EUR

Post-employment employee benefits in 2023	31 December 2022	Formation	Dedicated use	31 December 2023
Provisions for severance pay	3,204,640	342,712	445,698	3,101,653
Provisions for jubilee benefits	447,056	395,233	100,420	741,870
TOTAL	**3,651,696**	**737,945**	**546,118**	**3,843,523**

<u>Provisions</u>

In EUR

Environmental provisions	Balance as at 31 December 2022	Annual plan of dedicated use 2023	Formation 2023	Use 2023	Reversal 2023	Balance as at 31 December 2023
Provisions for the Za Travnik landfill	888,133	250,000	816,456	43,794	0	1,660,795
Provisions for the Bukovžlak landfill (ONOB)	8,541,868	1,500,000	464,190	121,755	0	8,884,303
Provisions for the Bukovžlak high-filled barrier	2,712,809	250,000	0	38,971	800,000	1,873,838
Provisions for ecology – eco investment in the area of TiO^2 production	2,674,157	0	0	430,494	0	2,243,664
TOTAL	**14,816,968**	**2,000,000**	**1,280,646**	**635,015**	**800,000**	**14,662,600**

Eco provisions were used in 2023 to cover the costs of the contractors performing work at height that came in at EUR 204,521 and to cover depreciation in the amount of EUR 430,494. New provisions worth EUR 1.3 million were set aside. In 2023, we reversed EUR 0.8 million in provisions that were no longer justified.

<u>Deferred revenues</u>

In EUR

Deferred revenues	31 December 2023	31 December 2022
Exempt contributions for the employment of disabled persons	780	1,947
Non-current deferred revenue for equipment	1,345	1,345
Funds received from the EU fund	103,379	133,335
Equipment and vehicles obtained free of charge	0	9,013
Emission allowances	65,120	44,047
Subsidies for photovoltaics	594,670	173,367
TOTAL	**765,296**	**363,054**

22 Current financial liabilities

In EUR

Group of liabilities	31 December 2023	31 December 2022
Current financial liabilities – assignments	100,651	59,392
Current liabilities from derivatives – futures and forwards	3,041	0
TOTAL	**103,692**	**59,392**

23 Current operating liabilities

In EUR

Group of liabilities	31 December 2023	31 December 2022
Current trade payables to domestic suppliers	12,215,153	11,372,481
Current trade payables to foreign suppliers	2,435,198	3,526,380
Current liabilities for goods and services not invoiced	6,203	0
Current operating liabilities from advances	407,334	170,164
Current liabilities to employees	2,059,725	2,602,550
Current liabilities for the contributions of the payer	1,005,215	1,326,675
Current liabilities to government and other institutions	389,631	509,838
Other current liabilities	11,891	10,057
TOTAL	**18,530,350**	**19,518,145**

24 Corporate income tax liabilities

In EUR

Corporate income tax	31 December 2023	31 December 2022
Current liability for corporate income tax	0	2,367,161
TOTAL	**0**	**2,367,161**

25 Liabilities from contracts with customers

In EUR

Liabilities based on contracts with customers	31 December 2023	31 December 2022
Liabilities based on contracts with customers	11,351	157,520
TOTAL	**11,351**	**157,520**

Liabilities based on contracts with customers arose from contractual commitments to the customers for the agreed fees for higher product placement volumes.

26 Other current liabilities

Other current liabilities comprise accrued costs or expenses.

In EUR

Description	31 December 2023	31 December 2022
Accrued unused right to annual leave	914,887	797,395
Accrued costs	260,042	150,090
VAT from advances granted	16,627	54,766
Government grants received (Act Governing Aid to Businesses to Mitigate Impact of Energy Crisis - ZPGOPEK)*	6,087,487	0
Other	4,118	1,668
TOTAL	**7,283,161**	**1,003,919**

***Government aid according to the Act Governing Aid to Businesses to Mitigate Impact of Energy Crisis (ZPGOPEK) will be disclosed as operating revenue when all the facts for their recognition are known and confirmed.**

27 Contingent assets and liabilities

In EUR

Description	31 December 2023	31 December 2022
Guarantees granted	2,202,183	2,275,179
Futures and forwards	1,867,592	50,953
VISA and Mastercard	40,000	40,000
Material in the process of completion or processing	59,726	59,725
TOTAL	**4,169,501**	**2,425,857**

28 Fair value

In EUR

	31 December 2023		31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets measured at fair value through other comprehensive income	1,558,531	1,558,531	1,973,765	1,973,765
Current financial receivables	38,616,117	38,616,117	0	0
Trade receivables	27,437,194	27,437,194	22,087,040	22,087,040
Cash and cash equivalents	15,687,805	15,687,805	45,210,098	45,210,098
Financial liabilities	-103,692	-103,692	-59,392	-59,392
Trade payables	-14,656,554	-14,656,554	-14,898,860	-14,898,860
Liabilities from contracts with customers	-11,351	-11,351	-157,520	-157,520
Total	**68,528,050**	**68,528,050**	**54,155,131**	**54,155,131**

Financial assets are classified in three levels subject to the fair value calculation:

- level 1 - assets at market price;
- level 2 - assets not classified under level 1 and the value of which is determined directly or indirectly based on comparable market data;
- level 3 - assets for which market data cannot be obtained.

Fair value of assets	31 December 2023				31 December 2022			
	1. Level 1	2. Level 2	Level 3	Total	1. Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income	0	1,558,531	0	1,558,531	0	1,973,765	0	1,973,765
Total assets measured at fair value	**0**	**1,558,531**	**0**	**1,558,531**	**0**	**1,973,765**	**0**	**1,973,765**
Assets with disclosed fair value								
Current financial receivables	0	0	38,616,117	38,616,117	0	0	0	0
Trade receivables	0	0	27,437,194	27,437,194	0	0	22,087,040	22,087,040
Cash and cash equivalents	0	0	15,687,805	15,687,805	0	0	45,210,098	45,210,098
Total assets with disclosed fair value	**0**	**0**	**81,741,116**	**81,741,116**	**0**	**0**	**67,297,138**	**67,297,138**
Total	**0**	**1,558,531**	**81,741,116**	**83,299,647**	**0**	**1,973,765**	**67,297,138**	**69,270,903**

In EUR

Fair value of liabilities	31 December 2023				31 December 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial liabilities	0	0	103,692	103,692	0	0	59,392	59,392
Trade payables	0	0	14,656,554	14,656,554	0	0	14,898,860	14,898,860
Liabilities from contracts with customers	0	0	11,351	11,351	0	0	157,520	157,520
Total liabilities with disclosed fair value	**0**	**0**	**14,771,597**	**14,771,597**	**0**	**0**	**15,115,772**	**15,115,772**

III CASH FLOW STATEMENT

The cash flow statement shows the change in the balance of cash and cash equivalents for the financial year as the difference between the balance as at 31 December 2023 and 31 December 2022. It is compiled according to the indirect method using data from the statement of financial position as at 31 December of the reporting year and the statement of financial position as at 31 December 2022 as well as additional data required for the adjustment of revenues and expenditures and the appropriate breakdown of major items. Theoretically possible items are not shown and values are disclosed for the current and previous year.

IV STATEMENT OF CHANGES IN EQUITY

The statement of changes in equity is a table featuring changes in all equity items. Theoretically possible items are not shown. Changes in equity relate to the decision of the General Meeting on the allocation of distributable profit for the previous year for dividend distribution to the owners that were or will be paid out and the buyback of treasury shares. Pursuant to point 14 of Article 64 of the Companies Act (ZGD-1), the determination of distributable profit is appended 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 that is known for its payment discipline both on the domestic and foreign markets. It has no debts owed to banks and boasts stable cash flows. The Company's business is traditionally conservative with high cash flow levels. Liquidity risk management includes the planning of expected cash liabilities and their coverage, ongoing monitoring of the customers' solvency and regular recovery of past due receivables. The Company is rated AAA and has received the platinum rating.

Interest rate risk

Interest rate risk represents the possibility of loss as a result of an unfavourable change in the interest rates on the market. The Company has no non-current financial liabilities and therefore implements no measures in this respect. If this fact were to change, we would put in place suitable measures to mitigate these risks.

Owing to the strong financial position, the Company concludes deposit contracts with banks at positive interest rates with the aim of increasing finance income. As of the balance sheet date of 31 December 23, deposits with a maturity of up to one year amount to EUR 10 million. Aiming to efficiently use surplus funds, the Company only invests in short-dated treasury bills, which amount to EUR 38.6 million as at the last day of 2023.

Credit risk

The main risk for the Company is the risk that buyers will not be able to settle their liabilities upon maturity. The risk is limited as we mostly do business with long-standing partners who are frequently well-known traditional European industrial companies with a high credit rating. In recent years, we have seen payment discipline in Slovenia, the Balkans and Eastern Europe to be relatively poor, but we do not expect problems in this region in the future, rather we expect the situation in this area to improve. By cleaning out the portfolio of strategic businesses of the Company, i.e. the discontinuation of the programme of graphic materials, the rolled titanium zinc sheets programme, the anticorrosion coatings programme and the construction materials programme, the exposure to credit risk has decreased materially, which is demonstrated by the receivables maturity data as well as the fact that we practically no longer have additional revaluation adjustments of receivables due to the doubts as to their payment or the default on the disclosed trade receivables.

The Company has, for a number of years, been implementing internal credit control for each individual customer that 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 through 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 customer, the payment discipline of the customer and the publication on the AJPES (Agency of the Republic of Slovenia for Public Legal Records and Related Services) website regarding proceedings under the Financial Operations, Insolvency Proceedings, and Compulsory Dissolution

Act are monitored on a daily basis. Also, as the receivable becomes due, the customer is reminded of the due date of the receivable by way of a reminder, firstly by telephone and then in writing, whereby default interest is charged from the due date until payment. The process of regular monitoring and control of the portfolio of trade receivables is a permanent feature at the Company, which results in a small percentage of write-offs or impairment of receivables in relation to the share in sales.

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

In EUR

	Notes	31 December 2023	31 December 2022
Financial assets		40,174,649	1,973,765
Trade receivables		27,437,194	22,087,040
Cash and cash equivalents		15,687,805	45,210,098
TOTAL		**83,299,647**	**69,270,903**

The Company boasts a healthy structure of trade receivables which is evident from Note 16 Operating Receivables in the table showing receivables by maturity and the table showing the changes in the revaluation adjustment of current trade receivables.

Currency risk

Cinkarna Celje, d. d. performs its purchasing and sales in the global market, which is why it is also exposed to the risk of unfavourable inter-currency ratios. The main ratio is the €/$. Because the majority of sales are transacted in euros, exposure is worrying especially in dollar-denominated purchasing of titanium-bearing ores as well as exceptionally also of sulphur and copper compounds. Exposure to dollar-denominated sales is much lower in terms of volume.

Changes and forecasts of the dynamic of the EUR/USD pair are monitored at all times. We basically mitigate the short-term risk of unfavourable USD exchange rates by consistently using financial instruments in a standardised manner (USD futures and forwards). We are achieving almost complete coverage of the relevant business events which include the EUR/USD pair.

Exposure to the risk of changes in exchange rates

In EUR

	31 December 2023		31 December 2022	
	EUR*	USD	EUR*	USD
Current financial receivables	38,616,117	0	0	0
Trade receivables	26,386,651	1,160,850	21,673,232	413,838
Advances given	301,333	0	1,168,851	0
Cash and cash equivalents	15,687,805	0	45,210,098	0
Current financial liabilities	-103,692	0	-59,392	0
Current operating liabilities	-14,647,822	-9,649	-19,450,525	-67,620
Exposure of the statement of financial position (net)	**66,240,391**	**1,151,201**	**48,542,264**	**346,218**

*EUR is the functional currency and does not represent exposure to the risk of changes in exchange rates. In addition to the functional currency (EUR), the Company also uses the USD (US dollar), which was used in the recalculation of balance sheet items on 31 December and is equal to the reference exchange rate of the European Central Bank, i.e. the amount for one national currency unit (1 euro) on 31 December 2023 was 1.10500 and on 31 December 2022 it was 1.0666.

Sensitivity analysis

A change in the value of the USD by 1% against the EUR as at 31 December 2023 or 31 December 2022 would change the pre-tax profit by the amount indicated below. The analysis which was performed for both years in the same manner assumes that all variables, mainly interest rates, remain the same. When calculating the impact of a change in the US dollar exchange rate, the balance of receivables and liabilities denominated in dollars is taken into account.

In EUR

	31 December 2023		31 December 2022	
Change in the USD	1%	-1%	1%	-1%
Effect on pre-tax net operating profit or loss	12,721	-12,721	3,693	-3,693

Any further change in the exchange rate of the US dollar by 1% in relation to the EUR would mean an additional change in the pre-tax profit by the values indicated above.

Capital management

The primary objective of the management of capital of the Company is the assurance of a high credit rating and suitable financing ratios, which in turn ensures appropriate development of operations and maximises value for the shareholders.

The aim of the management and adjustment of the capital structure at Cinkarna Celje is to keep in step with the changes in the economic environment. Dividends are paid out once a year in accordance with the adopted dividend policy and resolutions of the General Meeting. Cinkarna Celje has no specific targets regarding employee ownership and no stock option programme. In 2023, there were no changes in the method of capital management. Cinkarna Celje uses the financial leverage indicator to control capital, whereby the indicator shows the share of net debt to equity and total net debt. Net debt includes financial and operating liabilities less cash and cash equivalents.

In EUR

	31 December 2023	**31 December 2022**
Financial liabilities	103,692	59,392
Operating and other current liabilities	25,824,862	23,046,745
Cash and cash equivalents	-15,687,805	-45,210,098
Net debt	**10,240,749**	**-22,103,961**
Equity	213,883,752	209,010,148
Equity and net debt	**224,124,501**	**186,906,187**
Financial leverage ratio	**5%**	**-12%**

9 IMPORTANT BUSINESS EVENTS OCCURRING AFTER THE END OF THE FINANCIAL YEAR

The Company recorded one business event that does not materially affect the financial statements disclosed as at 30 December 2023.
On 13 February 2024, an extraordinary General Meeting was held at the registered office of Cinkarna Celje where a decision was made on the distribution of distributable profit from 2022 and the following resolution was adopted:

According to the audited statements of the Company, distributable profit as at 31 December 2022 amounts to EUR 25,014,391.39, of which:

- unallocated distributable profit, which was formed from the profit generated in previous years up to and including 2021, amounts to EUR 84,158.59;
- distributable profit, which was formed from the profit generated in 2022, amounts to EUR 24,930,232.80.

The distributed profit of EUR **25,014,391.39** shall be appropriated for:

- a part of the distributable profit of EUR 25,008,384.00 shall be allocated for the distribution of dividends in the gross amount of EUR 3.20 per share;
- the remaining part of the distributable profit in the amount of EUR 6,007.39 shall remain undistributed.

The Company shall pay dividends on 23 February 2024, namely to shareholders registered with the Central Securities Clearing Corporation (KDD) on 22 February 2024.