

**UNAUDITED BUSINESS REPORT
OF CINKARNE CELJE IN THE
PERIOD
JANUARY-SEPTEMBER 2023**

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THE COLLECTION OF THE MOST IMPORTANT DATA

OPERATIONS in € 000	I.-IX. 2023	I.-IX. 2022	2022	2021	2020
Sales revenues	136,110	188,589	227,153	192,462	172,387
Operating profit (EBIT) ¹	8,135	48,689	53,176	39,977	22,534
Operating profit increased by depreciation (EBITDA) ²	17,891	58,580	65,326	51,258	32,467
Net profit or loss	7,200	39,549	43,396	33,227	18,951
Non-current assets (end of period)	110,357	108,130	108,560	110,512	110,889
Current assets (end of period)	148,600	151,658	142,388	131,373	100,252
Capital (end of period)	216,210	204,792	209,010	190,166	174,821
Non-current liabilities (end of period)	18,399	22,723	18,832	23,273	20,876
Current liabilities (end of period)	24,348	32,273	23,106	28,446	15,442
Investments	10,174	6,949	10,547	11,325	12,233
INDICATORS					
EBIT in sales revenues	0.06	0.26	0.23	0.21	0.13
EBITDA in sales revenues	0.13	0.31	0.29	0.27	0.19
Return on sales (ROS) in %	5.29	20.97	19.11	17.26	10.99
Return on equity (ROE) ³	3.39	20.03	21.74	21.40	12.50
Return on assets (ROA) ⁴	2.82	15.77	17.61	14.70	9.00
Added value per employee ⁵	58,246	114,420	131,431	106,181	78,729
NUMBER OF EMPLOYEES					
End of year/period	753	773	775	793	824
End of year/period average	759	778	776	801	838
SHARE INFORMATION *					
Total number of shares	8,079,770	8,079,770	8,079,770	8,079,770	8,079,770
Number of treasury shares	264,650	264,650	264,650	264,650	219,510
Number of shareholders	2,51	2,197	2,321	2,077	1,920
Net profit per share in € ⁶	0.89	4.89	5.37	4.11	2.35
Dividend yield ⁷	N/A	10%	10%	9%	11%
Gross dividend per share in €	N/A	3.19	3.19	2.10	1.70
Share exchange rate at the end of the period in €	24.80	23.60	23.00	25.90	17.80
Book value of the share in € ⁸	26.76	25.35	25.87	23.54	21.64
Market capitalisation in € 000 (end of period)	200,378	190,683	185,835	209,266	143,820

* previous periods' recalculated share split

¹ The difference between operating income and expenses.

² The difference between operating income and expenses increased by depreciation. It reflects the performance of the business.

³ Net profit/average equity position over the period. The indicator reflects the effectiveness of the company in generating a net profit or loss in relation to equity. Return on equity is also an indicator of management's performance in increasing the value of the company for its owners.

⁴ Net profit/average assets position over the period. The indicator reflects the effectiveness of the company in generating a net profit or loss in relation to assets. Return on assets is also an indicator of management's performance in using assets to generate profits.

⁵ Operating profit increased by depreciation and labour costs, divided by the average number of employees after hours counted. A productivity indicator that reflects what the average newly created value per employee in Cinkarna is.

⁶ Net profit/total number of shares issued.

⁷ Dividend amount/share value (on the day of the General Meeting's decision).

⁸ Equity at the end of the period/total number of shares issued.

BUSINESS REPORT

Cinkarna Celje, d.d. a modern and forward-looking chemical company, has entered its 150th year of continuous operation in very good shape, with ambitious sustainability goals. As part of the chemical industry, which is 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 the first nine months of 2023, sales were 28 % lower than in the comparable period of the previous year. The decrease is due to lower sales volumes and lower average selling prices of titanium dioxide pigment. The slowdown in demand from customers in all sales segments due to inflationary pressures on the industry and the final consumer materialised further during the period considered. Pigment producers are facing lower demand, partly due to cheaper Chinese imports, partly due to unused stocks and lower demand for pigment-embedded products. This is particularly evident in the construction sector and the DIY segment. Recent events in the Middle East are further hindering a possible pick-up in economic confidence and spending. Most western pigment producers are adjusting their production in response to lower demand.

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

We are a relatively small pigment producer, so we face market conditions and changes as a typical follower, but of course we try to make the most of the market's potential in terms of level and also time dynamics within the given framework. In the current market conditions, we adjust production volumes to market needs. We want to make the most of the period of reduced production to carry out major overhauls or maintenance work.

We insist on a long-term business strategy which is based primarily on an active marketing approach towards 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 area of managing the costs of materials, raw materials, energy and services.

Based on an assessment of current market conditions, we estimate that downward pressure on prices will gradually ease. In parallel, the prices of some key raw materials have remained at high levels or have appreciated only to a lesser extent, resulting in downward pressure on profit margins. Based on these facts, we have also formulated our 2023 plan, taking into account the underperformance and the increased investment expenditure in the energy and sustainability transformation.

The fundamental focus of the company's business policy remains unchanged. We focus on maximising the use of production capacity, exploiting market potentials in the direction of selling products with higher added value, optimising production costs and implementing investment plans. Financial operations are traditionally conservative and the company is financially stable.

In the period under review, Cinkarna Celje, d. d. generated sales revenues of € 136.1 million, which is 28 % lower than in the comparable period of the previous year. The total value of exports in the period considered reached € 124.0 million, which is 28 % less than in the same period of the previous year. Net profit amounted to € 7.2 million, 82 % lower than the € 39.5 million achieved in the comparable period of the previous year. The operating profit or loss increased by depreciation or EBITDA amounted

to € 17.9 million and amounts to 13 % of the sales achieved. In comparison with the previous year, EBITDA is lower by 69 %.

The Company's realised revenues and net profit for the first nine months of 2023 do not include the € 4.6 million of State aid received under the Act on Aid to the Economy to Mitigate the Consequences of the Energy Crisis (ZPGOPEK), under which the Company is claiming aid to mitigate the effects of the energy crisis. The aid received is recorded as deferred income or other current liabilities in the balance sheet and will be transferred to operating income when all the facts necessary for its recognition are known for certain.

The Management Board and employees are aware that our way forward, based on the principles of sustainable development, must be geared towards strengthening our economic performance and ensuring corporate responsibility, as well as integrating and achieving the objectives of all our stakeholders. This strategic stance aims to identify risks of all kinds, including climate risks, at an early stage, while boldly opening the wings to opportunities. We recognise that employees are the most important foundation for long-term business success. We will continue to pay particular attention to optimising our human resources management and organisational structure, which will contribute to ensuring an adequate level of employee satisfaction and motivation and, above all, to maximising the safety and health of our employees. We are implementing IT support to develop competences, including in terms of sustainability, digitisation and innovation, and to improve the organisational climate. We will continue to ensure, in agreement with the representative trade unions and employee representatives, that employees continue to work and grow personally, and that their remuneration adequately reflects the company's performance or the quality of its results.

In the first three quarters of 2023, we spent € 10.2 million on investments, acquisition of fixed assets and replacement equipment. We are investing in programmes that show growth potential. Our investments in production are primarily aimed at reducing operating costs, ensuring profitable volumes, achieving higher quality, regulatory compliance and energy sustainability.

Our development activities follow the 5-year strategy and at the same time lay the groundwork for the next 5-year period, notably in terms of complementing existing programmes, energy transformation, sustainable development and digitisation. Development activities were carried out according to the perceived opportunities in the areas we professionally manage, according to trends and the expectations of customers.

The company implements several interconnected projects, by which we comprehensively manage spatial and environmental risks. The most important projects are those for alternative water supply, the harmonisation of spatial acts on the Za Travnik red gypsum filling plant, the rehabilitation of the Bukovžlak landfill site of non-hazardous waste (ONOB) and ensuring the stability of barriers.

All our activities are planned and implemented with the principles of sustainable development and the circular economy in mind. In the framework of ensuring the sustainable development of titanium dioxide production, we have continued our multi-annual development project of integrated water management and the project for reducing waste. We have also set up and implemented new activities in the areas of carbon footprint reduction, renewable energy use and materials re-use.

Subsequent chapters of the report provide more detailed data by individual business areas, as well as a presentation of the company's financial position and operations.

Management Board of the Company

MANAGEMENT BOARD'S DECLARATION OF RESPONSIBILITY

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

The Management Board of Cinkarna Celje, d.d. hereby declares that the condensed statements of Cinkarna Celje, d.d. for the period which ended on 30 September 2023, are prepared to present a true and fair view of the assets and operating results of Cinkarna Celje, d.d.

The same accounting policies have been applied in the preparation of the financial statements as those applied in the preparation of the annual financial statements of Cinkarna Celje, d.d. for the financial year 2022. Segment reporting has changed and is explained in the accounting part of the report.

Financial statements for the financial period ended on 30 September 2023, are prepared in accordance with IAS 34 - Interim Financial Reporting - and must be read with the annual financial statements prepared for the financial year ended on 31 December 2022.

The Management Board of Cinkarna Celje, d.d. is responsible for the smooth operation of the company and ensuring the preservation of the value of the assets of Cinkarna Celje, d.d. and for the prevention and detection of fraud and other irregularities. The Management Board expects the Company to have adequate resources to continue its operations in the future, which is why the Company's financial statements are prepared on the basis of the assumption of unlimited operating time.

The Management Board shall declare to the best of its knowledge:

- that the business report of Cinkarna Celje, d.d. for the first 9 months of 2023, includes a fair presentation of the development and results of its operations and its financial position, including a description of all material types of risks to which the company is exposed,
- that the financial report of Cinkarna Celje, d.d. for the first 9 months of 2023, is drawn up in accordance with the International Financial Reporting Standards as adopted by the EU and that it is a true and fair view of the company's assets and liabilities, financial position, profit or loss and comprehensive income.

The Management Board adopted the financial statements and their related policies and explanations on 21 October 2023.

Management of the Company

President of the Management Board

Aleš SKOK,
BSc (Chemical Engineering),
MBA, USA




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

Nikolaja PODGORŠEK SELIČ
BSc (Chemical Engineering),
Specialist



Member of the Management Board – Worker Director

Filip KOŽELNIK,
MSc (Business Studies)



1 SALES

The company's total sales in the period under consideration in 2023 are 28 % lower than the sales achieved in the comparable period in 2022. The total amount of sales or net sales revenues amounted to € 136.1 million.

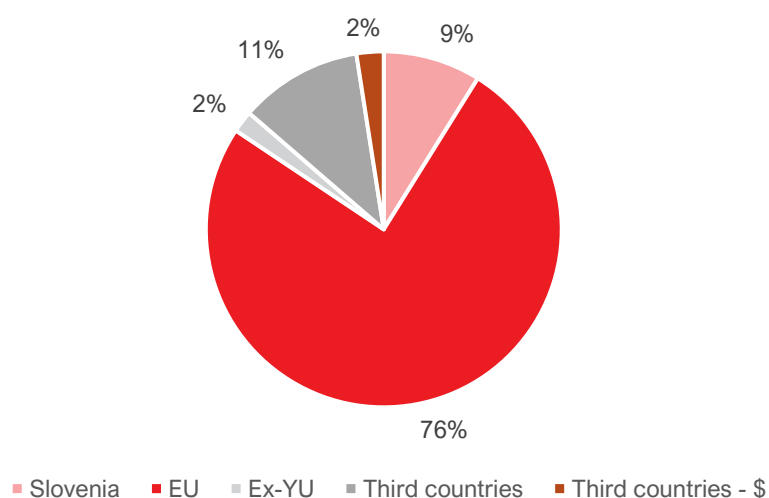
1.1 Sales by geographical segment

Total sales to the foreign market fell by 28 % in the first nine months of 2023 compared to the same period of the previous year. The decrease in sales to foreign markets is undoubtedly due to lower volume sales and lower pigment selling prices. In absolute terms, the most pronounced drop in sales is in the EU markets where pigment peaks are present.

Sales by geographical segment

	2022	2023	ΔPY %
Slovenia	15,874,986	12,070,411	-24
EU	144,849,232	102,768,662	-29
Former YU	4,242,241	2,680,109	-37
Third countries	21,776,598	15,228,031	-30
Third countries - dollar markets	1,845,742	3,362,725	+82
TOTAL	188,588,798	136,109,939	-28

The share of each market in the total sales of the Company



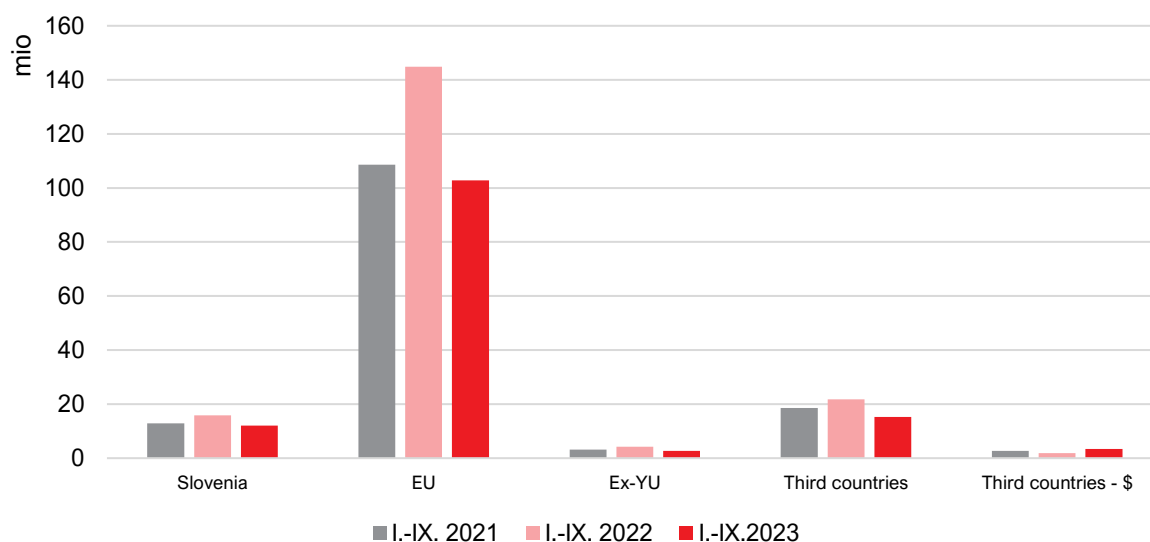
Sales on the EU market are 29 % lower than in the comparable period of the previous year. The lower sales are mainly due to lower pigment volumes and selling prices and lower volume sales of copper fungicides. One of the key markets is Germany, where we generate 30.7 % of export sales and 27.9 % of the company's total sales. The importance of the German market has decreased slightly compared to the previous year.

Sales to the markets of the former Yugoslavia decreased by 37 %, due to lower sales in the volume and value of pigment, zinc products and protective agents.

Domestic sales are 24 % lower compared to the same period in 2022. The decline in sales is present in all BUs with the exception of Polymers BU.

Total sales to third country markets are down 21 % compared to the same period of the previous year. As mentioned above, the main contributors in this segment were lower pigment selling prices and lower volume sales. In the dollar markets we maintain minimum control market shares, as the larger placements would be insensible because of the specific circumstances, which are certainly less favourable than on European markets. In a period of lower demand on the European market, we sold small quantities of pigment to Canada and the USA.

Sales by geographical segment



The share of total exports in total sales of the company in the year under examination was 91.1 %, down by 0.5 percentage points compared to the year before. The lower export share relates to lower value sales to the key markets of Germany, Italy and France. The major part is achieved by the export of titanium dioxide pigment.

The structure of sales by national markets, of course, varies in each quarter, depending on the conditions prevailing each time in each market. The structure, however, is dependent on the profitability of the markets, on the marketing strategy, on the political and economic security and on the reliability of the markets.

1.2 Sales by business segment

Sales by business segment

	2022	2023	ΔPY %
Titanium dioxide	158,383,496	112,543,498	-29
- of which TiO ₂ pigment	155,729,605	110,379,220	-29
Zinc recycling	6,654,503	4,499,823	-32
Varnishes, coatings, masterbatches	15,252,425	13,119,605	-14
Agricultural products	6,561,987	3,807,948	-42
Polymers	1,316,940	1,737,337	+32
Others	419,448	401,728	-4
TOTAL	188,588,798	136,109,939	-28

During the period under review, sales of the **titanium dioxide carrier programme** reached € 112.5 million. The € 45.8 million lower value sales were mainly due to lower volumes, with lower selling prices

contributing to a lesser extent. Contract prices for pigment in Europe rose sharply until 2021, reaching a series of quarterly records. At the end of the 2022 half-year, the trend in sales prices reversed. Demand for pigment is depressed by favourable Chinese imports and European stock peaks. The recent decline in volumes is mainly due to a slowdown in economic activity, which is expected to slow further by the end of the year. This is particularly evident in the construction and DIY segments. While raw material input prices are decreasing, this is not as much as the pressure on selling prices. Based on industry analysis, the situation is expected to normalise after 2023.

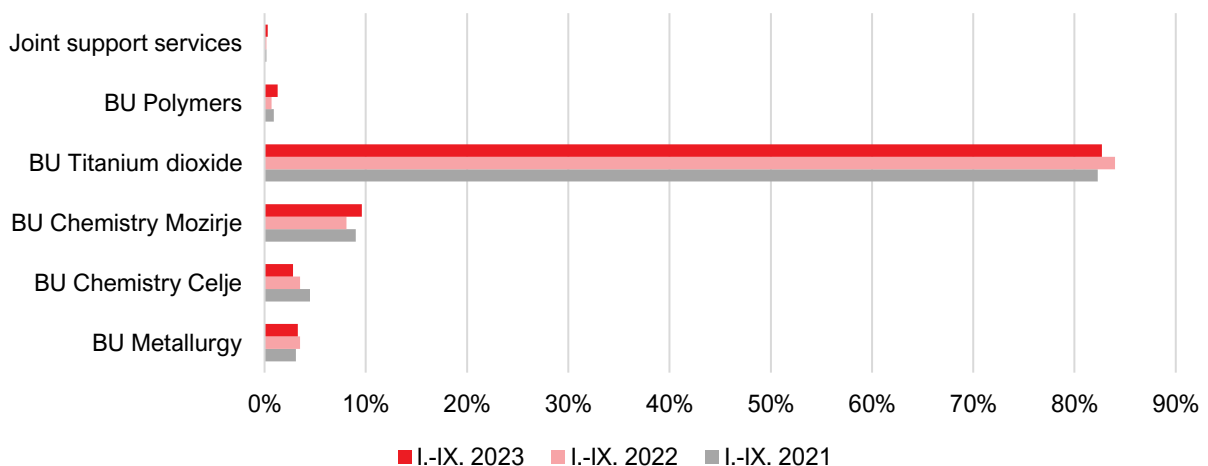
Sales of sulphuric acid are 14 % lower in value terms. CEGIPS should also be highlighted in the programmes of this sectoral section. We sold 106.6 thousand tons of CEGIPS, which is important in the context of extending the life of the Za Travnik landfill.

The **zinc recycling line** includes the product groups of zinc wire, anodes and alloys. Business performance is lower than in the comparable period of the previous year by 32 %. The drop in sales relates to lower volume sales of zinc wire and alloys and lower zinc stock exchange prices.

During the period under review, there was a 14 % decrease in the sales of the **varnishes, coatings, masterbatches programme** on a comparable basis, which mainly relates to the significantly lower volume sales of powdered coatings. The demand for this programme is partly linked to the demand for titanium dioxide.

Sales of **agricultural products** comprising copper fungicides, Pepelin, green vitriol (copperas) and Humovit decreased by 42 % as compared to 2022. The drop is due to the drought of the previous year, where buyers' stocks have been built up. The latter have been recouped this year, which, with normal weather conditions next year, will boost sales. Sales are also partly affected by the war in Ukraine, which is an important end market for our Polish customer. Sales prices of copper fungicides remain at high levels. In 2023, we have continued the production and sale of a very commercially interesting active substance, Tribasic Copper Sulphate (TBCS). The sale of Humovit is held at the level of the comparable period of 2022. The fact remains that when selling the soil, we depend on local and nearby conditions, as the product could not bear the extra cost of transport to enter remote markets.

Participation of individual BU in the total sales of the Company



Over the period under examination, it can be concluded that the relative proportions have changed again. The participation of the Titanium dioxide BU is lower by 1.3 percentage points. In line with the significantly lower sales of copper fungicides, the participation of the Chemistry Celje BU is also lower. The other BUs show an increase or no change in participation on account of the above-mentioned changes.

The Polymers BU share increased comparatively, as business volumes coincided with investment activity in the regional pharmaceutical and petrochemical industries. This is therefore essentially an order-based production of technological systems fully adapted to the buyer, which, however, depends directly on the investment cycles of the industry in the region.

Changes in the structure of sales by business units are present. In the short term, the changes in substance result in a lower number of business units and in perspective the relative importance of the core program, i.e. titanium dioxide, is increasing.

2 ANALYSIS OF BUSINESS PERFORMANCE

2.1 PROFIT OR LOSS

Overview of revenue and expenditure achieved

	JAN– SEP 2022	JAN– SEP 2023	ΔPY %
REVENUES	194,597,374	140,812,096	-28
Operating revenues	193,402,143	139,954,231	-28
Financial revenues	1,195,231	857,865	-28
EXPENSES	145,772,004	132,262,156	-9
Operating expenses	144,713,343	131,818,847	-9
Financial expenses	1,058,661	443,309	-58
PROFIT OR LOSS	48,825,370	8,549,940	-82
Income tax	9,276,820	1,350,369	-85
NET PROFIT OR LOSS	39,548,550	7,199,571	-82

In the first nine months of 2023, an **operating profit or loss** of € 8.1 million is achieved. This result is only 17 % of the operating profit or loss of € 48.7 million achieved in the first nine months of 2022. Operational performance was therefore significantly below last year, but above the level of the business plan. This deterioration in the result was due to weaker sales in value and volume and a decrease in the selling prices of the underlying product. The operating profit or loss increased by depreciation or EBITDA amounted to € 17.9 million or 13 % of the sales achieved. In comparison with the previous year, EBITDA is lower by 69.5 %.

After calculating the impact of financial revenues and expenses, the **profit or loss before tax** in the first nine months of 2023 was € 8.6 million, while in the same nine months of 2022 a profit in the amount of € 48.8 million was achieved. The pre-tax result is down 82 % compared to the previous year. In the first nine months of 2023, a positive financing balance of € 415 thousand is recorded (in the first nine months of 2022, the financing balance was also positive at € 137 thousand). The resulting balance on financing is made up of a positive balance on exchange rate differences and a positive balance on investment and interest income and expenditure. The positive balance on financing comes from the forward purchase and sale of dollars and thus the effective use of hedging instruments to manage the volatility of the \$/€ currency pair in the purchase of titanium-bearing ores, and from financial income and the placement of excess cash in short-term interest-bearing investments.

The net profit for the accounting period is € 7.2 million, which is lower than realised in the first nine months of 2022 by 82 % (€ 39.5 million). Taking into account the developments in the international economy, in the titanium dioxide pigment market and, above all, the results of our competitors in the titanium dioxide industry, we consider that the result is still good and above expectations. Net profit or

loss comprises profit or loss before tax, an income tax levied of € 1.4 million (the effective tax rate thus amounts to 15.4 %).

2.2 Expenses and costs

The structure of consumption of raw materials, packaging and energy shows greater deviations from the comparable period in 2022. In relative terms, the most significant increase is in energy costs, which are 28 % higher than in the comparable period of the previous year due to the situation on the energy market. Energy efficiency improvement measures aim to tackle the relevant cost category. In line with the lower production volumes, packaging and raw material costs are lower on a sub-proportional basis. Downward pressure on purchase prices does not follow downward pressure on selling prices.

At the end of the period, the largest share of production costs was for raw materials/materials for production (78 %), followed by energy (21 %) and packaging (2 %).

The structure of labour costs is disclosed in the Notes to Financial Statements 5, Labour costs. Gross wages were established according to the provisions of the collective agreement, taking into account the agreements between trade unions and the administration. Transport to work and meals during work are in compliance with the regulations in force. Labour costs include supplementary pension insurance, severance payments, other employee benefits, solidarity costs, jubilee benefits and other items.

2.3 Assets

Overview of the asset structure

	30 September 2023	In %	31 December 2022	In %
In €				
ASSETS				
Non-current (long-term) assets				
Intangible assets	1,421,289	0.5	1,208,224	0.5
Property, plant and equipment	105,651,328	40.8	104,083,017	41.5
Financial assets at fair value through other comprehensive income	1,973,765	0.8	1,973,765	0.8
Other long-term assets	84,444	0.0	68,049	0.0
Deferred tax assets	1,226,475	0.5	1,226,475	0.5
Total non-current (long-term assets)	110,357,300	42.6	108,559,530	43.3
Current assets				
Inventories	62,737,626	24.2	72,754,823	29.0
Financial receivables	36,482,727	14.1	0	-
Operating receivables	26,187,708	10.1	24,290,543	9.7
Income tax receivable	4,518,231	1.7	0	-
Cash and cash equivalents	18,195,947	7.0	45,210,098	18.0
Other current assets	477,310	0.2	133,009	0.1
Total current assets	148,599,550	57.4	142,388,473	56.7
Total assets	258,956,850	100.0	250,948,003	100.0

The share of non-current (long-term) assets in the structure of total assets decreased by 0.7 percentage points compared to the end of 2022 and amounted to 42.6 %. The largest category of long-term assets is tangible fixed assets (95.7 %). Their value has increased by € 1.6 million for the difference between the amount invested in property, plant and equipment and the actual depreciation charged in the first nine months of 2023. Long-term financial investments remained unchanged in 2023, covering shares and shares of companies. Deferred tax assets also remain at the level of the end of 2022. Other long-term assets are free emission allowances obtained from the state.

The share of current (short-term) assets in the structure of total assets increased by 0.7 percentage points compared to the end of the previous year and amounted to 57.4 %. In the structure of current assets, the most important categories by value are inventories (42%), financial investments (25%), all trade receivables together with other current assets (21%) and cash (12%).

Inventories decreased by 14 % compared to the end of 2022, with a 26 % decrease in the value of material inventories (including advances), an 11 % decrease in work-in-progress inventories and an 8 % increase in the total value of the company's finished goods and merchandise inventories (all compared to the end of 2022). The main reason for the increase in finished product inventories is the lower volume sales of pigment.

Short-term financial liabilities as at 30 September 2023 amount to € 36.5 million and relate to investments in treasury bills with maturities of 3 to 6 months.

Short-term trade receivables include short-term trade receivables from customers and short-term trade receivables from others (mainly from the state for input VAT). Compared to the situation at the end of 2022, receivables increased by 8 %. Trade receivables from customers increased by 10 %, while other short-term receivables decreased by 10 %. An overview of the receivables from customers according to maturity dates reflects the fact that the age structure of the receivables continues to be of high quality and secured with an external institution or with another form of collateral. (Note 16 in the accounting section of the report). As at 30 September 2023, the Company's receivables for the difference between the overpayment of advance income tax and the actual tax charge for 2023 amount to € 4.5 million.

Cash (and cash equivalents) represent 12 % of the total value of short-term assets, the volume of cash decreased by 60 % compared to the previous year. The value of cash is mainly due to the excellent performance of the whole year 2022.

Other short-term assets include deferred costs paid in advance. The value increased threefold due to prepaid expenses of other accounting periods and accrued income that will be transferred to the Company following the decision received.

2.4 Liabilities to sources of funds

Overview of the structure of liabilities to sources of funds

	30 September 2023	In %	31 December 2022	In %
In €				
EQUITY AND LIABILITIES				
The capital of the owners of the Company				
Called-up capital	20,229,770	7.8	20,229,770	8.1
Capital reserves	44,284,976	17.1	44,284,976	17.6
Profit reserves	120,290,401	46.5	120,290,401	47.9
Fair value reserves	-809,390	-0.3	-809,390	-0.3
Retained profits	32,213,963	12.4	25,014,391	10.0
Total equity	216,209,720	83.5	209,010,148	83.3
Non-current liabilities				
Provisions for employee benefits	3,350,263	1.3	3,651,696	1.5
Other provisions	14,647,612	5.7	14,816,968	5.9
Long-term deferred revenues	401,504	0.2	363,054	0.1
Total non-current liabilities	18,399,379	7.1	18,831,718	7.5
Current (short-term) liabilities				

Financial liabilities	12,374	0.0	59,392	0.0
Operating liabilities	16,938,017	6.5	19,518,145	7.8
Income tax liabilities	0	0.0	2,367,161	0.9
Liabilities from contracts with customers	403,585	0.2	157,520	0.1
Other current liabilities	6,993,775	2.7	1,003,919	0.4
Total current liabilities	24,347,751	9.4	23,106,137	9.2
Total liabilities	42,747,130	16.5	41,937,855	16.7
Total equity and liabilities	258,956,850	100.0	250,948,003	100.0

The **value of equity** in liabilities structure as at 30 September 2023 represents 83.5 %, which is 0.2 percentage points more than at the end of 2022. The amount of equity increased by 3 % compared to the situation at the end of 2022. The increase relates to the net profit generated in the first nine months of 2023 of € 7.2 million. As at 30 September 2023, the company has 264,650 treasury shares after a split of 1:10 on 15 August 2022 (no purchases of treasury shares in 2023). There were no other major movements in equity.

Based on the decision of the 27th Ordinary General Meeting of Cinkarna Celje, d.d. held on 14 June 2023, the 2022 balance sheet profit of € 25 million remains unallocated. In total, the share capital amounts to € 20,229,769.66 and consists of 8,079,770 ordinary freely transferable no-par value shares, after a split of 1:10 on 15 August 2022 (of which 264,650 treasury shares were subscribed in the treasury shares fund). The book value of the share as at 30 September 2023 is € 28.6 (it increased by 3.5 % from the beginning of the year when it was € 25.9).

Provisions and long-term deferred income account for 7.1 % of liabilities to assets. Provisions for pensions and similar liabilities were established on 1 January 2006 (termination and jubilee benefits) and are adjusted annually based on actuarial calculations. Other provisions were established in the ownership transformation procedure for environmental provisions. Over the last number of years, we have established the following additional environmental provisions: € 5 million in 2010 for the rehabilitation of the Bukovžlak solid waste landfill and € 7 and 5 million, respectively, in 2011 for the rehabilitation of the Za Travnik landfill and the destruction of low-level radioactive waste. At the end of 2017, we reviewed the provisions in detail, checked and only set aside new provisions for the elimination of risks arising from old burdens in the amount of € 6.4 million. At the end of 2022, we reviewed the volume of provisions and properly designed them in relation to actual market conditions. The volume of environmental provisions decreased by 1 % or € 170 thousand in the period under review as a result of a dedicated increase or dedicated cost coverage of the above-mentioned rehabilitation projects. Long-term deferred revenues increased by 11 %.

Financial and operational liabilities increased by 5 % compared to the end of the previous year due to a 5-fold increase in other current liabilities for taxes, contributions from payables to employees and uncertain deferred income from State aid received under ZPGOPEK. The Company has no liability for income tax for the financial year 2023 as at 30 September 2023, as it has overpayments of advance payments, which are recorded as receivables of the Company. All financial and operating liabilities are short-term. The Company's gross debt rate was 9.4 % and was 2.1 % higher as compared to the balance as at 31 December 2022.

Short-term financial liabilities as at 30 September 2023 amounted to € 12 thousand, and amounted to € 59 thousand at the end of 2022. The Company's financial debt ratio is thus 0.05 ‰ (at the end of 2022, it was 0.02 ‰).

Short-term operating liabilities decreased by 13 % in the period. Short-term operating liabilities amounted to € 16.9 million as at the last day of September 2023 and have decreased by 2% compared to the situation at the end of 2022. Other operating liabilities decreased by 49 % (or by € 2.2 million), and mainly included € 1.4 million of liabilities for payment of net wages and other net payments from

employment relationship, € 0.9 million of liabilities arising from contributions and taxes from and to personal income and VAT liabilities, and to other institutions.

Other short-term liabilities increased by 597 % over the period considered. They mostly comprise accounted liabilities for annual leave and other labour costs, accrued environmental contributions and taxes, and VAT on advances given, in a total amount of € 2.4 million. Part of the other current liabilities of € 4.6 million represents deferred income from State aid received, which the company is claiming under the Act on Aid to the Economy to Mitigate the Consequences of the Energy Crisis (ZPGOPEK).

3 EMPLOYEES

Human resources activities are geared towards achieving the basic objectives of the business policy, where particular attention has been paid to finding innovative ways of recruiting and to the social cohesion of the company, which has been quite dynamic in terms of labour costs due to the situation on the titanium dioxide market, the general situation in the country, high inflation and the rise in interest rates. We have continued our rational policy on external recruitment, covering the need for professional staff and those with higher and university education, while most other needs have been addressed through internal redeployment and recruitment of professional staff. We focused on rejuvenating the workforce in individual organisational units, replacing critical posts, finding employees with deficit occupations, especially in the natural sciences, and intensively negotiating retirement with those employees who have already fulfilled the conditions for retirement and those who will be able to achieve these conditions through the Employment Service of the Republic of Slovenia.

As at 30 September 2023, 753 employees were employed in Cinkarna Celje, d.d. which means that, compared to the end of 2022, the number of employees decreased by 22, or 2.8 %. There are slight changes in the number of employees by business units.

In communication with employees, we encourage open and comprehensive communication between the company's Management Board, employees, the Workers' Council and two representative trade unions. In addition to informing employees about the overall current situation, it is very important to obtain feedback and suggestions from employees, which has a positive impact on the positive working climate in the company, promotes a good organisational culture and increases loyalty to the company, as well as strengthening the trust of employees in the company's management.

The area of communication continued to receive considerable attention from the Management Board, the Business Unit Managers and the Works Council through a wide range of communication channels. We used print and electronic media to provide information to our employees, such as: Company management messages via e-mail with current news for employees and with electronic communication dialogue of our company's mascots (Cinko and Cinka), Informator magazine – printed version, company's Cinkarnar magazine – 2x annually, active social networks Facebook and LinkedIn Cinkarna Celje, we also issue a trade union Informator magazine, we have our own SharePoint (intranet and extranet) and bulletin boards - interesting and active for publishing news. More than 70 bulletin boards are installed as a means of communication throughout the company.

A novelty is the Moja Cinkarna (My Cinkarna) employee application, which provides access to certain parts of the business information system. Current functionalities include ordering lunch, insight into the number of days of annual leave, telephone book and an overview of internal notifications. The app has been well received by employees and will be enhanced with new functionalities.

In the field of social work, activities continued during the period under review in the areas of individual problem-solving, the placement of disabled workers, ergonomics, employee prevention and the retirement of those employees who meet the conditions for retirement.

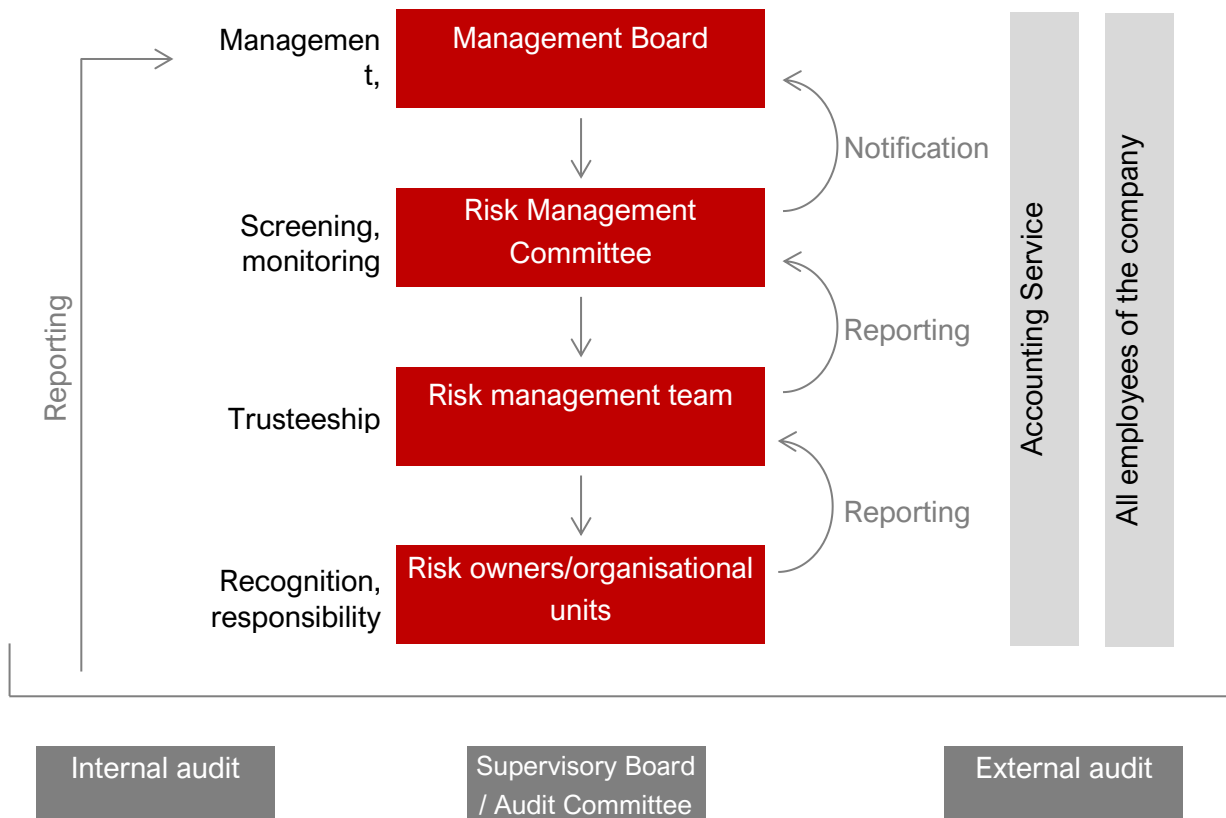
In the future, it is planned to continue optimising the staffing structure by rehiring and recruiting new young and technically qualified staff. Investment in development, training and further improvement of the working environment for employees will also continue.

4 THE COMPANY'S MOST IMPORTANT OPERATING RISKS

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

The risk management system includes risk identification, risk assessment and classification, action, monitoring and reporting. Monitoring and analysing the external and internal environment provides input to identify key risks and opportunities, which is crucial for our operational, tactical and strategic planning in line with the Sustainable Development Goals.

The system is disclosed in detail in the Annual Report in the chapter on Risk and Opportunity Management. The overview of key risks in the continuation is actualised and defined in accordance with the circumstances and expectations at the time of the compilation of this Report.



I. Sales and purchasing risks			
Risk name	General description of risk at company level	Risk management	Risk level
Energy sources	Price non-competitiveness of our products due to high energy prices (natural gas and electricity)	We conclude contracts, monitor trends and carry out forward purchases of energy products.	Low

I. Sales and purchasing risks			
Risk name	General description of risk at company level	Risk management	Risk level
		<p>We are negotiating a PPA - a long-term electricity leasing arrangement. We are taking action to increase energy efficiency.</p> <p>We are systematically increasing our own electricity production from renewable sources - installing solar power plants on buildings, preparing a project to cogenerate electricity from steam.</p> <p>We regularly rebalance the consumption structure of individual energy products, implement energy management and ongoing energy optimisation measures/projects.</p>	
Key customers	Loss of market share and revenue due to (price) non-competitiveness in relation to customer expectations compared to price-aggressive competitors	We choose optimal marketing strategies and appropriate sales channels. We provide pre- and after-sales service, thus increasing the added value of our service. We ensure competitive selling prices and align ourselves as far as possible with those of our European competitors. We provide quality products while increasing productivity and reducing production costs. We are increasing our presence in spot markets.	Low
Competition	Loss of market share and revenue due to (price) non-competitiveness in relation to customer expectations and compared to price-aggressive competitors from China and Eastern Europe.	<p>We limit risk by expanding our sales network, diversifying our product and sales portfolio, introducing new sales channels, developing marketing partnerships and developing new products to enter new markets and industries. Through targeted technology investments, we are focusing our sales portfolio on applications and markets that are more sophisticated in content, high in quality and represent a departure from the so-called "commodities" markets, which are characterised by lower added value and high exposure to low-priced Chinese and Eastern European pigments.</p> <p>We choose optimal marketing strategies, appropriate sales</p>	Moderate

I. Sales and purchasing risks			
Risk name	General description of risk at company level	Risk management	Risk level
		<p>channels, pre- and after-sales service, ensuring quality products while increasing productivity and reducing production costs. We are also increasing our customer portfolio in the so-called spot markets.</p> <p>We also manage sales risks through systematic monitoring and comparative analyses of relevant industries (competitors and buyers), participation in marketing and professional industry events and the introduction of standards for managing quality, safety, the environment and health.</p>	
Work items	Loss of revenue due to unforeseen extensions of delivery times throughout the supply chain	<p>We place orders on time, make bookings with suppliers, look for alternative suppliers and alternative testing procedures.</p> <p>We ensure timely planning of requirements and procurement of raw materials, taking into account the time reserves of experience and increasing minimum stocks where necessary. We will develop a business case and a checklist for all strategic raw materials.</p>	Low
Work items	Loss of production due to failure to supply work items from monopoly suppliers	<p>We pursue the objective of adequate protection by contract.</p> <p>In critical cases, we provide larger stocks. We carry out thorough market research on raw materials and potential substitutes and take timely action based on our findings. Accelerated procurement and negotiation activities with existing suppliers are underway to secure the planned volumes of PFA material. We are expanding our circle of suppliers with new ones. We are looking for alternatives to PFA material. We are following the announcements of alternative technologies for processing titanium-bearing ores. We are examining the feasibility of introducing technological changes to enable the production of titanium</p>	Low

I. Sales and purchasing risks			
Risk name	General description of risk at company level	Risk management	Risk level
		dioxide from ilmenite alone. We search for, test and introduce new sources of raw materials into production. Alternative raw material sources are also evaluated in terms of catalogues of verified alternative raw materials and suppliers. We build long-term and stable partnerships in a targeted manner. We monitor and analyse the situation on international markets ourselves and with the help of market specialists. We are also in regular contact with suppliers with whom we do not cooperate, but that could be a solid alternative.	
Legislative compliance	Revenue loss due to new chemical sustainability strategy	<p>Within the Titanium Dioxide Manufacturers Association (TDMA), we are following the requirements of the new legislation with a working group and initiating the necessary/possible actions both at EU level and individually within the company.</p> <p>Within the TDIC consortium, we are in the process of updating REACH dossiers to the requirements of the European Chemicals Agency (ECHA). To this end, we have a broad scientific programme within TDMA, which includes studies on the potential effects of nano- and pigmented forms of titanium dioxide on human health.</p>	Low
Legislative compliance	Revenue loss due to new chemical sustainability strategy	<p>Within the Titanium Dioxide Manufacturers Association (TDMA), we are following the requirements of the new legislation with a working group and initiating the necessary/possible actions both at EU level and individually within the company. Within the TDIC consortium, we are in the process of updating REACH dossiers to the requirements of the European Chemicals Agency (ECHA). To this end, we have a broad scientific programme within the TDMA, which includes studies on the potential</p>	Low

I. Sales and purchasing risks			
Risk name	General description of risk at company level	Risk management	Risk level
		effects of nano- and pigmented forms of titanium dioxide on human health.	

II. Production risks			
Risk name	General description of risk at company level	Risk management	Risk level
Storage and production capacity	Shortfall in volumes due to under-utilisation of production capacity	<p>The Chemistry Mozirje Business Unit has obtained an offer for a conceptual design for the installation of an additional line of white masterbatches:</p> <ul style="list-style-type: none"> • in an existing building that would be renovated and • in a new building on the Mozirje site. <p>Conceptual design for the third option - to be located at the Celje Rolling Mill site - still needs to be created.</p> <p>The following activities are used to manage risk in the Titanium Dioxide Business Unit:</p> <ul style="list-style-type: none"> • Optimising the performance of devices and lines. • Increasing the recovery of slag and ilmenite placers. • Updating and establishing cleaning protocols for reactors, storage vessels, settling tanks and clarifiers. <p>In order to increase the capacity to 71,000 tonnes, the decision was taken to demolish the Final Processing 2 extension and install the spinning and drying line in a newly built facility. We are working on a technology project to expand production. Pilot testing of pigment drying, steam micronization, and decanter centrifuge devices.</p>	Low

III. Financial risks			
Risk name	General description of risk at company level	Risk management	Risk level
Credit risk (customer payments)	Loss of revenue due to non-payment by customers whose receivables are not secured, representing about 2% of receivables.	<p>For many years, the Company has been conducting internal credit control for individual buyers, to whom they determined the individual credit limit, according to payment discipline, credit rating and good business with the company. The credit risk monitoring and management process is enhanced by the insurance of receivables with an external institution, where credit limits are set, monitored and changed on a daily basis.</p> <p>In addition to regular monitoring of the credit limit for individual customers, the payment discipline of the buyer is monitored on a daily basis, as well as the publications on AJPES in connection with the publication of procedures under the Financial Operations, Insolvency Proceedings, and Compulsory Dissolution Act (ZFPPIPP).</p> <p>Also, as soon as the receivable is due, the buyer is reminded of the due date by a reminder, first by telephone and then in writing. Interest on overdue amounts accrues from the due date until repayment.</p> <p>We regularly obtain up-to-date information for more accurate cash flow planning.</p> <p>We have a detailed, well thought out and meticulously designed cash flow.</p>	Low
Liquidity risk (customer payments)	Failure to pay within agreed deadlines due to customer insolvency or indiscipline, which can cause liquidity problems for the company.	<p>We ensure a stable cash flow. The company's business is traditionally conservative with high levels of cash. Liquidity management includes, among other things, planning and meeting expected cash commitments on a daily, weekly, monthly and annual basis, monitoring customer solvency on an ongoing basis and collecting overdue receivables on a regular basis. We regularly obtain up-to-date information for more accurate cash</p>	Low

III. Financial risks			
Risk name	General description of risk at company level	Risk management	Risk level
		flow planning. The cash flow is detailed, deliberate and accurate at daily, monthly and annual levels.	
Currency risk	Loss of revenue and higher costs due to the euro/dollar exchange rate on the purchase of materials and raw materials in US dollars (titanium-bearing raw materials, partly copper compounds)	We continuously monitor the movements and forecasts regarding the dynamics of the EUR/USD currency pair. Basically, we limit the short-term risk of adverse changes in the dollar exchange rate through the standardised and consistent use of financial instruments (dollar forwards). We also regularly obtain more detailed information for advance purchases of foreign exchange.	Low

IV. Spatial and environmental risks			
Risk name	General description of risk at company level	Risk management	Risk level
Climate risks	The occurrence of acute or chronic physical risks that may be caused by climate change (drought, heat waves, storms, etc.).	<p>The company identifies the potential lack of water to power production as both the biggest risk from drought and an opportunity to pursue sustainable business principles.</p> <p>It is fed by the Hudinja River and partly by water wells at the Za Travnik site. The water permit for abstraction limits the amount that does not pose a risk in relation to production needs. On the Hudinja watercourse, the ecologically acceptable flow rate (Qes) is also set as a limit for pumping. In case of water levels below Qes, pumping is not allowed.</p> <p>To ensure that the company can survive even in such extreme cases, we have already increased our reuse rate and will do so in the near future with additional activities planned. This would help to keep production to a minimum and avoid negative environmental impacts from unplanned, momentary shutdowns.</p> <p>In the past, we have examined several possible solutions for alternative supply (reservoirs,</p>	High

IV. Spatial and environmental risks			
Risk name	General description of risk at company level	Risk management	Risk level
		<p>groundwater pumping, use of the existing reservoirs of Slivniško and Šmartinsko lakes, relocation of the pumping site downstream of the confluence of the Hudinja with the V Ložnica or from the Savinja). The most appropriate, and above all sustainable, solution was to use wastewater from the Celje Central Wastewater Treatment Plant (CČN). This source is sufficient in quantity on a sustainable basis, but needs further treatment. Its use results in improvements in both the biological and hydromorphological status of the watercourse.</p> <p>The company, together with an external contractor, prepared a conceptual design for the pipeline and additional treatment. Pilot trials are currently underway at the CČN Treatment Plant site. We have also obtained an opinion from the MOPE that the planned pipeline siting and pumping does not require an environmental impact assessment. We have obtained the project conditions for the pipeline from Slovenian Railways, and we are awaiting a response from the Slovenian Water Agency. Following a decision by the Municipality of Celje, we are preparing an initiative for the preparation of an OPPN (Detailed Municipal Spatial Plan) for the pipeline.</p> <p>For other climate risks in this class, we maintain facilities, identify and address potential hazards and remedy deficiencies (e.g. additional cooling of rooms with electronic equipment).</p>	
Security	Negative impact on the company's business due to a natural disaster (earthquake or major flood,	We carry out activities in accordance with the preventive actions set out in the Register of Potential Hazards to the Environment and Employees (Regulations, organisational rules,	Low

IV. Spatial and environmental risks			
Risk name	General description of risk at company level	Risk management	Risk level
	lightning strike, sleet storm, etc.)	<p>compliance with storage instructions in the flood prone area of the site, ongoing cleaning of manholes and maintenance of facilities, work instructions, measurements, preventive and periodic inspections, etc.).</p> <p>When designing new buildings, we take earthquake standards and regulations into account. Existing facilities are inspected and maintained. The Bukovžlak high barrier is equipped with seismic monitoring.</p> <p>The company is flood-proofed with a wall to prevent water ingress in the event of a flood. We have pumping stations to pump out any excess water.</p> <p>Based on our experience during the August 2023 floods, we are preparing/implementing a series of preventive measures. We have also increased insurance.</p> <p>Lightning conductors and earthing systems are regularly inspected and maintained.</p>	
Security	Negative impact on the company's operations due to an industrial accident (fire, explosion, spillage, etc.)	<p>The risk is managed through systematic evaluation of environmental and employee impacts, periodical assessments of fire threats and job systematisation in line with risk assessment.</p> <p>In the area of environmental impact reduction, we have systematically introduced European environmental standards by implementing the principles of the Responsible Conduct Programme and harmonised our operations with the requirements of the IED and SEVESO Directives.</p> <p>We carry out internal audits of the adequacy of the implementation of</p>	Low

IV. Spatial and environmental risks			
Risk name	General description of risk at company level	Risk management	Risk level
		<p>the measures required by the SEVESO permit and remedy the deficiencies identified.</p> <p>We update the Environmental Risk Reduction Design (ERRD) to reflect the changes and implement operational safety assurance when changes are introduced. We carry out our processes using the best available techniques (BAT).</p> <p>In the area of fire safety, we have our own fire brigade and the company is adequately covered by fire insurance.</p> <p>In the area of accidents at work, a professional service is organised to monitor compliance with health and safety rules and measures. We provide regular education and training for employees. The Company holds liability insurance.</p> <p>We conclude written agreements with external contractors and provide them with training. We have engaged a permanent coordinator for safe and healthy work. We have introduced work instructions for the performance of maintenance interventions in terms of fire prevention, accident prevention and improvement of cleanliness in the workplace.</p>	
Old burdens	Removing old environmental burdens	<p>The Bukovžlak landfill of non-hazardous waste (ONOB) and the barrier bodies, with their specific materials, are old burdens. We also have an environmental reservation for them and are implementing remediation activities.</p> <p>Technical observation and monitoring is regularly carried out in the area of the high barriers (Bukovžlak and Za Travnikom).</p> <p>Based on the results of the observations, systematic and long-term maintenance measures are</p>	Low

IV. Spatial and environmental risks			
Risk name	General description of risk at company level	Risk management	Risk level
		taken to ensure the stability of the barriers or, where necessary, to remedy the consequences of adverse weather conditions.	
Legislative compliance	Loss of production and increase in costs due to inconsistencies in planning acts	<p>The company fills waste red gypsum from titanium dioxide production into the Za Travnik waste disposal plant. The existing zoning plan (ZP) and the building permit allow for infilling up to a level of 300 m above sea level, which will be reached in about 7-8 years time.</p> <p>Due to new circumstances and lessons learnt during the infilling process, the implementation as conceived by the project is not possible in certain parts or could lead to the demolition of the planned facilities. Another negative point is the planned inadequate drainage, which would lead to the site being partially flooded again with rainwater.</p> <p>The designer, together with the expert support of the UL FGG Department of Geotechnics, prepared an amendment to the project. It provides for increased quantities of red gypsum and a different form of fill. The planned volumes have already been registered in the environmental permit and the MOPE has issued a decision that the planned modification does not require a reassessment of the environmental impact. However, an amendment to the zoning plan and building permit is needed.</p> <p>We have submitted an initiative to amend the zoning plan to all three municipalities concerned. The conditions for the signing of the contract between the municipalities are being coordinated, followed by the</p>	High

IV. Spatial and environmental risks			
Risk name	General description of risk at company level	Risk management	Risk level
		<p>submission of the petition for the amendment of the zoning plan to the MOPE.</p> <p>The company is also developing processes to reduce the amount of red gypsum, with the aim of sustainable development and a circular economy, and to increase the time available for disposal.</p>	
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 Contamination of Soil and Groundwater. We need to ensure that catch basins, platforms, storage floors, drains and transport routes are completely leak-proof to prevent contamination of soil and groundwater with the hazardous substances concerned. The Action Plan is sent to complement the requests for a partial baseline report.	Low
Loss of reputation	Loss of corporate reputation due to various factors (inadequate communication, negative environmental impacts, etc.)	<p>The company has processes in place by departments and designated individuals responsible for investor relations, environmental prevention, health and safety, marketing, product sustainability and recruitment.</p> <p>We have prepared a Sustainability Report for 2022 as part of the Annual Report.</p> <p>We collect and consider stakeholder feedback and consider it in our enterprise risk management process. We behave in a socially responsible way. We have developed an ESG strategy.</p>	Low

V. HR and organisational risks			
Risk name	General description of risk at company level	Risk management	Risk level
Competence and availability of staff	Loss of production and revenue due to incomplete succession policies and inadequate staff competences	<p>A recruitment system is in place, with a job training programme and a mentor for each post.</p> <p>As part of the 2023 implementation targets, we are setting up a system to inventory all specific and generic skills in the company for all business units/departments, a revamped onboarding system for new hires, and a competency check for existing employees, with a simultaneous revision of the competency model.</p> <p>Based on the revised competences per job, we will train staff in areas where competences are lacking.</p> <p>The training plan includes a number of additional external training courses for employees in the areas of planning, lean production and IT.</p> <p>We ensure that the active status of existing chartered engineers is maintained.</p> <p>We have inventoried the key positions in the company, identified possible successors and defined the time to replacement and the additional competences needed.</p> <p>For the most promising candidates, we run a leadership development programme called the Leadership Academy. In addition, we provide coaching for employees.</p>	Low

V. HR and organisational risks			
Risk name	General description of risk at company level	Risk management	Risk level
Competence and availability of staff	Loss of production and revenue due to staff shortages, untimely replacements and inadequate organisation of work	<p>We strive to identify staffing and recruitment needs in a timely manner, with the aim of ensuring an appropriate education, skills and age structure.</p> <p>We are continuously implementing organisational change and adapting agilely to new circumstances.</p> <p>In addition to traditional recruitment methods, we use innovative recruitment solutions via social networks to find new employees.</p> <p>We offer recruitment scholarships. We have deepened our cooperation with high schools. We offer compulsory internships and student work for students. We offer students the opportunity to carry out their bachelor's, master's and doctoral theses in the company.</p>	Low
Legislative compliance	Imposing penalties on the company and the persons responsible and compensation for breaches of labour law	<p>We regularly monitor changes in legislation and implement them in our system.</p> <p>We organise meetings with our business units, keep each other informed and take action to correct any non-compliance.</p> <p>We have an open dialogue with our social partners.</p>	Low
Corruption, theft, fraud	Potential loss of credibility and damage to the business	<p>When making business decisions and all actions on behalf of the company, employees consider the interests of the company before their own interests or the interests of third parties, taking into account competition exclusively in a fair and open manner.</p> <p>We have a system in place to prevent corruption in procurement.</p> <p>The appropriate and expected conduct of employees is set out in the Code of Ethical Conduct and Performance. A mechanism has been established for</p>	Low

V. HR and organisational risks

Risk name	General description of risk at company level	Risk management	Risk level
		the disclosure or reporting of inadmissible practices.	

VI. Support process risks

Risk name	General description of risk at company level	Risk management	Risk level
Digitisation	Loss of production and competent workforce due to slow digitisation of control and management processes	We continue to implement a number of performance targets that increase the level of digitisation and computerise and simplify business processes: <ul style="list-style-type: none"> • we are upgrading the Power BI business analytics modules as planned, • we have increased the share of users and upgraded the modules in the "Moja Cinkarna" (My Zinc Plant) app, • we are continuing to set up a new document system, • we are continuing the migration of Oracle Forms 6 to 12, • the activities related to the modernisation of the maintenance information system are progressing according to plan. 	Low
Risks of cyber attacks	Production failure due to a cyber-attack on the workstation and/or the server system for the management system by malware with the intent to extort or steal data.	We have carried out a phishing test, which has alerted us to certain deficiencies that we are addressing. We have placed an order for two advanced network monitoring systems to monitor the network against possible intrusions. With the help of an external expert, we carried out an internal audit process in this area. We will put the improvement opportunities we identify into practice in the coming months.	Low
Risk of server system failure (Security)	Production downtime due to failure of the server system for the management system	We are setting up a virtualised, backup server system for management systems in two locations. Until the	Low

	(fire, earthquake, water, etc.)	project is completed, we are managing the risk with backup physical servers. We are continuing with electrical and network changes in both server rooms and adding other components where there are delays.	
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We also highlight and explain the following risks that the company faces:

- **Russian invasion of Ukraine**

Cinkarna Celje's exposure to the Ukrainian markets is insignificant in terms of sales to Ukraine. However, indirect exposure is not negligible, as Ukraine is an important supplier of ores to a number of titanium dioxide producers (Cinkarna Celje does not have any supplies from Ukraine). The war situation may temporarily prevent or even stop the supply of ores, forcing their buyers to find an alternative supplier, which may trigger a rise in the price of titanium-bearing ores and increase the purchase price of Cinkarna Celje's main strategic raw material.

- **Risks related to energy**

Another important factor that represents a significant share of the Company's costs is energy, which implies a higher exposure of the company to the prices of energy products. Developments on the Russian market may lead to an increase in the already increased prices of energy products or to the extreme of interruption of deliveries of the energy product natural gas, which would seriously threaten the production and operation of Cinkarna Celje, d.d. To secure electricity and natural gas supplies for the coming years, forward products have been concluded with energy suppliers for the bulk supply of energy products. The company balances the purchases and sales of long-term forward products of banded electricity on the German (EEX) or Hungarian (Hudex) OTC market and the remainder of the difference of purchases/sales (additional or excess) of electricity on the daily market (BSP), which is accounted for each hour of the day. The company dynamically adjusts its purchases/sales according to the expected electricity consumption during the year by buying/selling long-term forward products (annual, quarterly, monthly). The required amounts of electricity are being adjusted due to the active construction of own solar power plants (PS2 connection), the rationalisation of electricity use and the saving of electricity consumption, which is also a policy of the European Commission and the Republic of Slovenia.

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. At the end of the period, the Company has 264,650 treasury shares in its portfolio (or 3.28 % of the total issue). The number of shareholders at the end of the relevant period is 2,561. The structure of ownership at the end of the period is shown in the table below.

Structure of 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	309,736	3.83
Treasury shares	264,650	3.28
KRITNI SKLAD PRVEGA POKOJNINSKEGA SKLADA	167,050	2.07
RAIFFEISEN BANK AUSTRIA D.D. - FID	160,840	1.99
NLB SKLADI - SLOVENIJA MEŠANI	118,983	1.47
CITIBANK N.A. – FID	113,351	1.4
TINFIN d.o.o.	82,000	1.01
Generali Galileo, mixed flexible	77,080	0.95
Internal shareholders – FO	57,537	0.71
External shareholders - FO	1,920,111	23.76
Others	854,437	10.59

5.2 Trading in shares

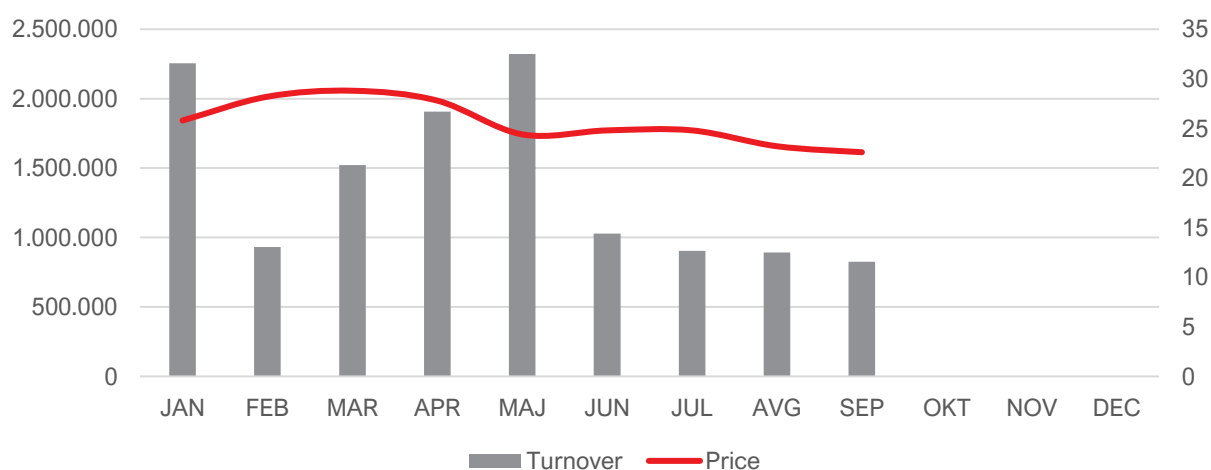
Trading in Cinkarna shares labelled CIGG takes place on the free market of securities. The first day of trading was 6 March 1998. The average price per share on that day was EUR 33.71. As of 16 August 2022, trading and settlement of transactions are carried out under the new regime. The amount of shares on the market increased, and their price decreased (divided by 10).

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

	Share value		Turnover
	Year 2022	Year 2023	Year 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
JUNE	27.4	24.8	1,027,850
JULY	28.4	24.8	903,857
AUG	27.8	23.2	892,249
SEP	23.6	22.6	826,068
OCT	23.0		
NOV	26.0		
DEC	23.0		

The value of the share of Cinkarna Celje, d.d. listed in the first quotation of the Ljubljana Stock Exchange (with the code CIGG) fluctuated between € 22.6/share and € 30.2/share during the period under examination. From the last trading day in 2022 to the last trading day of the period under examination, the share value fell by 3 %.

Share price movements (right axis) and stock turnover (left axis) by months 2023



6 DEVELOPMENT FOUNDATIONS

6.1 Investments

The total planned investment in 2023 is € 20,479,040.0. In the first half of the year, 49.7% of the target was achieved.

The areas where we are lagging behind the most are the purchase of fixed assets and the use of environmental provisions.

Some projects are delayed due to:

- Extension of the project documentation revision procedures (ONOB rehabilitation, sealing curtain, C1 drainage),
- delays in obtaining a building permit (modernisation of lime and calcite storage and suspension preparation)
- or new findings that do not give the expected result of the feasibility study and consequently require further verification or optimisation of solutions (Sulfacid reactor, battery feeder, steam recovery for cogeneration).

There is also a deviation from the planned realisation in the project for the relocation of pipelines on the plot 115/1 of the Teharje cadastral municipality, which has to be carried out due to the planned rehabilitation under the responsibility of the Ministry of the Environment and Spatial Planning (MOPE). It is late in implementation.

The installation of the third gel spinning press has also been delayed, with a significant extension of the technical coordination period of the contract.

In other cases, while the realisation is in line with expectations, in several cases payment has not yet been made due to incomplete handover or delivery (solar power plants, pigment spinning press).

A total of 4.3 MWp of installed solar capacity is in regular operation, with another 1.4 MWp ready to be connected. A third sand mill and a dust extraction system for captured dust sources are in operation at the Black Mill and the Final Processing Plant.

As a precautionary measure against the foreseen possibility of a partial reduction of natural gas supply, we rehabilitated the Extra Light Fuel Oil (ELFO) tank, made the necessary installations and equipped one calcination furnace with a burner that would allow the consumption of ELFO in addition to natural gas. The first attempt to start up was unsuccessful. As this put production at risk, it was postponed until the furnace was restarted after an overhaul.

During the autumn maintenance of the sulphuric acid plant, the absorption tower and the IT2 heat exchanger were replaced.

On track as planned:

- installation of an additional 12.10 C storage tank for the discharge of the solution from the digestion columns,
- installation of a central vessel for the third vacuum cooling line.

Upgrades to the data transmission network of the production processes in PE TiO₂ are underway, as well as upgrades to the control and management of the processes with the most outdated software. Physically, most of the upgrades are carried out during the autumn overhaul (September - October). The Spekter production information system is also being upgraded.

In the area of procurement of replacement equipment, we are minimally behind schedule.

6.2 Development activity

Several development tasks and tasks with the aim of introducing improvements to existing technological processes, products and services are carried out in all organisational units. We highlight some of the most important in the following.

Diversification of production programmes

We are continuing to refine and assess the viability of further development for the identified opportunities. With the Fraunhofer Institute, we are working on the market for promising materials for sodium-ion batteries and TiON for hydrogen fuel cells. These include diversification of input raw materials, production of battery materials, reduction of red gypsum for landfill, CO₂ recovery and the use of expanded Teflon (e-PTFE) for semi-permeable membranes. We have tested the concept of precipitating ferric oxalate (precursor for Li and Na ion batteries) from waste acid and made a CAPEX assessment.

The determination of the maximum possible production volume of titanium dioxide

The projection is roughly complete. It includes several phases of gradual growth and several possible scenarios. In summary, the estimated maximum capacity at this site is in line with the environmental permit (approx. 84,000 t TiO₂/year).

Weather-resistant TiO₂

We carried out laboratory and industrial testing of the first production trial, which showed that the campaign was inhomogeneous due to problems with the addition of the organic additive. At the same time, the pigment does not provide the required processability. The recipe was adjusted accordingly and the sample preparation was repeated in the laboratory. The industrial retrial has not yet been included in the production plan.

Development of products based on nano TiO₂

We have developed a formulation based on PTK/UF TiO₂. The performance of the coating has been tested positively. We are working with various companies to incorporate our UF TiO₂ into their coatings.

Development of BaSO₄

The concept of precipitating BaSO₄ in a static mixer is validated. A conceptual design has been developed for the adaptation of one of the TiO₂ surface treatment lines for the experimental production of BaSO₄.

Waste acid recovery

We are looking for a solution to preconcentration using nanofiltration techniques. The concentrate thus obtained will then be tested for the extraction of the Fe, Ti, Sc, V cations present.

Alternative source of process water supply

At the beginning of March, we started pilot tests at the KČN Tremerje site. After a few adjustments, the plant is working. However, optimisation processes for all phases are ongoing.

We have submitted an application to the MOPE for the so-called Preliminary Verification Procedure for the conditions for the siting of the pipeline and the implementation of the water treatment. The answer we received was that no environmental impact assessment was required. We have obtained project conditions from Slovenian Railways, and the Slovenian Water Agency has requested an amendment to the application due to the route passing through the coastal area.

The Municipality of Celje has informed us that the pipeline will require the adoption of a Municipal Detailed Spatial Plan (OPPN). Work is already underway on the preparation of the initiative dossier.

Development of the copper hydroxide synthesis process for the Moldavian recipe

A representative sample of copper hydroxide has been produced and tested to confirm its suitability. We are still looking for a solution for the waste that was produced - sodium chloride.

Development of the DN 200 Venturi ball valve

The 3-D model and workshop documentation used for the prototype are successfully produced.

Development of powdery coatings

In order to develop a coarse-structured low-temperature E/P powder coating and to develop a system for low-temperature matt E/P powder coatings, different binders were tested in a first phase. For both products, we have determined the time in the oven required to reach the object temperature. We are looking for an equivalent set of resins that would bring the appearance of a low-temperature powder coating as close as possible to that of a conventional coating.

The development of the PE/P low-temperature matt powder coating system has been successfully completed.

Development of masterbatches

We have prepared different laboratory samples (our product and competitors), which have been tested for weather resistance by an external contractor. The weather resistance results are good. We will further develop the testing procedures and carry out an industrial-scale trial of the installation of a domestically produced weather-resistant pigment once the required quality characteristics have been achieved. The one produced so far does not yet have the required processability to be integrated into a masterbatch.

We have defined the replacement of input raw materials for all colour masterbatches with biodegradable ones.

6.3 Quality assurance

We manage various aspects of our business (quality, environment, safety and health at work) with the integrated management system (IMS). The IMS structure is based on ISO 9001, which is upgraded and expanded with ISO 14001 and ISO 45001. Starting this year, we have started the procedures for the implementation of ISO 50001 (energy use). Certification is scheduled for the middle of next year.

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

We have prepared an annual internal audit plan. Its execution is in progress. We will audit BUs and departments that have not been audited recently and review the completion of measures as well as the effectiveness of ex-ante audits.

External auditors carried out an assessment 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 improvement were made.

We regularly monitor the number of complaints and comments of our buyers and respond to them with corrective measures. Complaints are rare.

We are continuing our activities on a project aimed at developing new grades of titanium dioxide and stabilising its quality. We are carrying out optimisations in individual production processes in a planned sequence, which should help to raise and stabilise the quality level of our pigments.

The broader framework of ensuring the quality of the Company's operations also encompasses the project of formulating a business continuity plan. We developed 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.

Permanent improvements dictated by standards and quality guidelines are the driving force of progress and continuous improvements in all areas of the Company's operations. The CC UM useful suggestions system received 191 suggestions in the first nine months of 2023, representing 0.253 improvements per employee.

6.4 Environmental management

In the field of the environment, we have three sets of indicative targets in 2023. They are designed to address environmental risks, sustainable development and ensure regulatory compliance.

I. Measures to address environmental risks

Measures are being taken to increase the safety of the Za Travnikom high barrier (obtaining the necessary documentation and permits for the construction of a reinforcement embankment and drainage ribs on the eastern flank). During the heavily increased rainfall in August, a deep landslide occurred in the area immediately below the barrier body. We are currently monitoring it and preparing project documentation for possible intervention and, ultimately, long-term rehabilitation.

At the Bukovžlak Waste Disposal Facility, we are preparing the documentation for the construction of a lake attenuation facility and an overflow drainage ditch with a gauging point. We have completed detailed monitoring of the Bukovžlak waste disposal plant for leachate influx from the gypsum filtration plant and produced a report.

We have completed activities to establish more extensive monitoring of wastewater in line with the requirements of the revised OVD (adaptation to BAT CWW).

Two evacuation drills were carried out at the Chemistry Celje BU to test the emergency response and two tactical firefighting drills (fire in a building and spillage of a hazardous substance).

We are preparing the groundwork for the digitisation of procedures for reporting, analysing and monitoring the implementation of measures in the event of emergencies, accidents, near-misses and work-related injuries, and raising awareness among employees of the importance of identifying and eliminating potential accident hazards.

II. Sustainable development and circular economy

In the context of sustainable development and the introduction of the circular economy, we set goals in the following areas:

- Use of renewable resources

We are continuing with our solar power plant and cogeneration of electricity from steam projects.

- Energy efficiency

We analyse the electrical conditions of the entire medium-voltage network. Two power transformers have been restored. We have made energy improvements to the metatitanium acid pre-drying process and continue to optimise heat flows to reduce gas consumption. We are checking the feasibility of installing a battery feeder. We are replacing electric motors and other energy-wasting devices with more efficient ones. We optimise compressed air production and consumption. We renew our lighting with energy-saving lighting. We are looking for opportunities to reduce losses. At Chemistry Mozirje BU, we are implementing an energy management system.

- Amount of waste

We plan to reduce the amount of waste by increasing the CEGIPS extraction capacity and introducing processes to increase the yields in TiO₂ production. We are taking action to reduce plastic waste. By planning and optimising meals for lunch, we reduce food waste. A contract with an external partner for the capture and liquefaction of CO₂ from the Neutralisation Plant is in place.

- Reuse of materials

We are continuing with the planned activities of the project Alternative options for the supply of process water from the KČN Tremerje site and with the activities for water reuse (COV).

At laboratory level, we are testing possible processes for the recovery of waste 23 % sulphuric (IV) acid. We are developing a process to recover copper-bearing silt.

We are looking for a range of possible ways to incorporate/use waste powder coating dust (filter dust). We offer our customers the possibility to refurbish and service worn-out components (valves, connectors, pipes).

We are introducing solutions to reuse pallets back into production (98% of them are returned in internal logistics) and textile containers in internal logistics (up to 5x).

- Reducing emissions to the working and external environment

At the TiO₂ BU, we continuously eliminate sources of dust at workplaces.

We are preparing an outline of "state-of-the-art" solutions to reduce H₂S emissions at the digestion site.

We replaced the catalyst - activated carbon - in all four Sulfacid reactors, reducing SO_x emissions to the environment far below the permitted limit.

At the Chemistry Mozirje BU, we are working on the installation of a central extraction system in the powder coating laboratory.

The leak tightness of the effluent trap was checked and confirmed in the blue copper production plant.

- Sustainable procurement

A working version of the "Sustainability Supplier Code of Conduct" is being prepared and will be sent to suppliers.

III. Maintaining/ensuring legislative compliance

We are working to amend and supplement the land-use plan for the Za Travnik area.

Phase 2 of the upgrading of the storm water drainage system with oil interceptors is underway.

We have obtained a REACH registration for copper oxychloride. Confirmation of the equivalence of copper hydroxide is pending.

REACH registration activities are underway in various markets outside the EU for TiO₂ and intermediates. Within the consortium, we are preparing the required data on surface treatments of nano TiO₂ for the purpose of completing the registration dossier.

We follow the activities of the EU Chemicals Strategy for Sustainability (CSS) in terms of identifying requirements for our products and raw materials.

Work on the reconstruction of the closed Bukovžlak non-hazardous waste landfill is currently stalled due to the lack of project documentation for the implementation of the sealing curtain and C1 drainage.

We are working with the MOPE on the rehabilitation of plot 115/1 - relocation of pipes.

We had one extraordinary environmental inspection due to a complaint. The operation of the waste disposal facilities (Bukovžlak and Za Travnikom) was checked in relation to the pollution of the Vzhodna Ložnica watercourse. No deficiencies were found.

There were no complaints from the public in the first quarter of this year. There was one complaint in the second quarter which turned out to be unrelated to our production (smoke from a neighbouring company due to a small fire caused by lightning). In the third quarter, there were three complaints from the public, concerning smoke and smell. In one case, the complaint was found to be justified as a compensator at the digestion had failed, resulting in the release of untreated gases from the digestion area. We were unable to link the other two to our source.

According to legislative requirements, we have prepared and submitted all monitoring reports for 2022 within the deadline. No exceedances of the maximum levels were observed. Regular activities are underway to coordinate the environmental permits with the Ministry of Environment, Climate and Energy in light of the changes introduced. We also work with the Chamber of Commerce and Industry and the Association of the Chemical Industry (ACI) to coordinate environmental and energy requirements. We have published our annual report, which this time also includes a sustainability report in line with GRI standards.

We have carried out all activities to obtain the POR certificate which was granted in January 2023. We have also prepared and submitted the 2022 POR report as part of the 2023 commitment. We have completed the 'Ecovadis Sustainability Rating' questionnaire with a universal scorecard measuring performance against indicators in the areas of environmental protection, human rights, employee health, ethics and sustainable purchasing.

We are also responding to the increasing number of questionnaires received on the implementation of the Sustainable Development Commitments.

6.5 Health and Safety

In the first nine months of 2023, there were no serious accidents at work. However, we dealt with 6 minor accidents at work, one more than in the same period last year. To monitor accidents at work, we calculate various indicators, such as the frequency index, the days absent per number of employees index and the occupational injury rate per number of hours worked index.

We implemented a system of identifying potential hazards and taking action in the event of near misses. We have identified 80 potential hazards, of which 76 have already been eliminated, representing a 95% completion rate. We have registered 10 near misses.

The 'Minute for Safety' activity took place in various forms and time intervals in the production work environments, and workers are also made aware of health and safety and fire safety through internal newsletters.

In all production BUs, we identified and broke down process risks related to ensuring safety and health in the workplace, as well as measures to reduce emissions in the work environment. Improvements in safety and health at work and fire safety are also being made in the individual OEs based on useful suggestions from employees (CC UM system).

Biological monitoring is carried out at various time intervals, based on an assessment of workers exposed to chemical substances at their workplaces. No deviations from the limit values were recorded.

In line with legislation, we also carry out health promotion for our employees, where we try to focus on topical health issues. So, this year, we have addressed:

- Body composition measurements and analysis of results;
- Control of fats and sugar in the blood;
- Support for the SVIT programme;
- Cycle to work (GAMSI cycling section);
- Basic resuscitation procedures and the use of a defibrillator (practical workshop);
- Elevated blood fats - workshop in cooperation with the Celje Health Promotion Centre;
- First aid procedures for chemical injuries (practical workshop in our fire brigade unit).

During the period, 1 new risk was identified in the area of occupational health and safety legislation. It concerns the risk assessment of lifting and carrying loads. Otherwise, risks are identified and managed through the Risk and Opportunity Register.

7 FINANCIAL STATEMENTS

7.1 Income statement

Income statement for the period from 1 January to 30 September

	JAN - SEP 2023	JAN - SEP 2022
Revenue from contracts with customers	136,109,939	188,588,799
- revenues from contracts with customers, domestic market	12,070,411	15,874,986
- revenues from contracts with customers, foreign market	124,039,528	172,713,813
Change in the volume of inventories of products and work in progress	1,702,061	2,663,150
Capitalised own products and own services	1,805,209	1,780,207
Cost of goods and materials sold	280,314	199,463
Costs of materials	85,046,750	96,682,917
Costs of services	11,734,770	12,423,454
Labour costs	23,372,756	22,196,169
a) Costs of wages and salaries	16,731,407	15,409,411
b) Social security costs	1,245,317	1,151,187
c) Pension insurance costs	1,754,352	1,696,857
č) Other labour costs	3,641,680	3,938,715
Depreciation and amortisation	9,755,462	9,891,612
Other operating revenues	337,022	369,987
Other business expenses	1,628,774	3,319,674
Impairment and write-downs of operating receivables	21	52
Operating profit or loss	8,135,384	48,688,801
Financial revenues	857,866	1,195,231
Financial expenses	443,309	1,058,662
Financial result	414,557	136,569
Profit/loss before taxes	8,549,940	48,825,370
Tax charged	1,350,369	9,276,820
Deferred tax	0	0
Income tax	1,350,369	9,276,820
Net profit/loss of financial year	7,199,571	39,548,550
Basic and diluted earnings per share	0.89	4.89

7.2 Statement of company's financial position

Statement of company's financial position as at

	30 September 2023	31 December 2022
ASSETS		
Non-current (long-term) assets		
Intangible assets	1,421,289	1,208,224
Property, plant and equipment	105,651,328	104,083,017
Land	9,550,251	9,604,509
Buildings	39,581,532	41,616,487
Production plants and machinery	40,910,294	41,447,746
Other plants and equipment	43,315	46,211
Tangible fixed assets under construction	13,101,325	10,276,338
Advances for the acquisition of property, plant and equipment	2,464,611	1,091,727
Financial assets at fair value through other comprehensive income	1,973,765	1,973,765
Other long-term assets	84,444	68,049
Deferred tax assets	1,226,475	1,226,475
Total non-current (long-term assets)	110,357,300	108,559,530
Current assets		
Inventories	62,737,626	72,754,823
Material	33,207,817	45,206,025
Work in progress	2,900,982	3,266,936
Products and merchandise	26,274,911	24,216,888
Advances for inventories	353,916	64,974
Financial receivables	36,482,727	0
Operating receivables	26,187,708	24,290,543
Trade receivables	24,197,934	22,087,040
Other receivables	1,989,773	2,203,503
Income tax receivable	4,518,231	0
Cash and cash equivalents	18,195,947	45,210,098
Other current assets	477,310	133,009
Total current assets	148,599,550	142,388,473
Total assets	258,956,850	250,948,003

Statement of company's financial position (cont.)

	30 September 2023	31 December 2022
EQUITY AND LIABILITIES		
The capital of the owners of the Company		
Called-up capital	20,229,770	20,229,770
Capital reserves	44,284,976	44,284,976
Profit reserves	120,290,401	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	103,358,966	103,358,966
Fair value reserves	-809,390	-809,390
Retained profits	32,213,963	25,014,391
Total equity	216,209,720	209,010,148
Non-current liabilities		
Provisions for employee benefits	3,350,263	3,651,696
Other provisions	14,647,612	14,816,968
Long-term deferred revenues	401,504	363,054
Total non-current liabilities	18,399,379	18,831,718
Current (short-term) liabilities		
Financial liabilities	12,374	59,392
Operating liabilities	16,938,017	19,518,145
Trade payables	14,604,458	14,898,860
Other liabilities	2,333,559	4,619,285
Income tax liabilities	0	2,367,161
Liabilities from contracts with customers	403,585	157,520
Other current liabilities	6,993,775	1,003,919
Total current liabilities	24,347,751	23,106,137
Total liabilities	42,747,130	41,937,855
Total equity and liabilities	258,956,850	250,948,003

7.3 Statement of changes in equity

Statement of changes in equity for 2023

CINKARNA Metalurško – kemična industrija Celje, d. d.	Called-up capital	Capital reserves	Profit reserves				Reserves for fair value	Retained profits		Total capital
			Legal reserves	Reserves for treasury shares	Treasury shares	Other revenue reserves		Retained profit or loss or loss	Net profit or loss of financial year	
Opening balance for the period	20,229,770	44,284,976	16,931,435	4,814,764	-4,814,764	103,358,966	-809,390	84,159	24,930,233	209,010,148
Changes in equity - transactions with owners										0
Purchase of treasury shares										0
Withdrawal of treasury shares										0
Dividend distribution										0
Total comprehensive Income for the reporting period									7,199,571	7,199,571
Entry of net profit or loss for the reporting period Other components of the total comprehensive income for the reporting period									7,199,571	7,199,571
										0
B3. Changes within equity								24,930,233	-24,930,233	0
Allocation of the remaining net profit for the period to other equity components										0
Allocation of part of net profit for the period to other equity components according to resolution of management and supervision bodies								24,930,233	-24,930,233	0
Reserves for treasury shares										0
Release of reserves for treasury shares										0
Closing balance for the period	20,229,770	44,284,976	16,931,435	4,814,764	-4,814,764	103,358,966	-809,390	25,014,392	7,199,571	216,209,720
DISTRIBUTABLE PROFIT								25,014,392	7,199,571	32,213,963

Statement of changes in equity for 2022

CINKARNA Metalurško – kemična industrija Celje, d. d.	Called-up capital	Capital reserves	Profit reserves				Reserves for fair value	Retained profits		Total capital
			Legal reserves	Reserves for treasury shares	Treasury shares	Other revenue reserves		Retained profit or loss	Net profit or loss of financial year	
Opening balance for the period	20,229,770	44,284,976	16,931,435	4,814,764	-4,814,764	84,892,734	-1,179,702	86,234	24,920,343	190,165,790
Changes in equity - transactions with owners								24,922,418		24,922,418
Purchase of treasury shares										0
Withdrawal of treasury shares										0
Dividend distribution								24,922,418		24,922,418
Total comprehensive Income for the reporting period									39,548,550	39,548,550
Entry of net profit or loss for the reporting period Other components of the total comprehensive income for the reporting period									39,548,550	39,548,550
										0
B3. Changes within equity								24,920,343	-24,920,343	0
Allocation of the remaining net profit for the comparative period to other equity components										0
Allocation of part of net profit for the period to other equity components according to the resolution of management and supervision bodies								24,920,343	-24,920,343	0
Reserves for treasury shares										0
Release of reserves for treasury shares										0
Closing balance for the period	20,229,770	44,284,976	16,931,435	4,814,764	-4,814,764	84,892,734	-1,179,702	84,159	39,548,550	204,791,921
DISTRIBUTABLE PROFIT								84,159	39,548,550	39,632,708

7.4 Cash Flow Statement for the period

Cash flow statement for the period from 1 January to 30 September

	JAN - SEP 2023	JAN - SEP 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit/loss before taxes	8,549,940	48,825,370
Adjustments for:	10,535,466	11,982,566
Depreciation and amortisation	9,755,462	9,891,612
Profit/loss on sale of fixed assets	-6,922	-51,103
Impairment/write-down (reversal of impairment) of assets	372,348	2,005,435
Net decrease/formation of adjustment for the value of receivables	21	52
Net financial revenues/expenses	414,557	136,569
Cash flow from operating activities before net short-term assets (working capital) change	429,967	-32,666,452
Change in operating receivables	-1,897,185	-3,853,283
Change in other non-current and current assets	-344,302	0
Change in the volume of inventories	9,644,849	-20,283,941
Change in operating liabilities	-2,580,128	-3,345,881
Change in provisions balance	-470,789	-571,913
Changes in deferred revenues	38,450	21,708
Changes in other short-term liabilities	1,661,606	-323,348
Changes in liabilities from contracts with customers	246,065	365,439
Income tax paid	-5,868,600	-4,675,232
Net cash flow from operating activities	19,515,373	28,141,484
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts from investing activities	175,157	70,774
Receipts from interest	168,235	3,646
Receipts from dividend interest	0	16,025
Receipts from disposal of property, plant and equipment	6,922	51,103
Disbursements for investing activities	-46,656,871	-7,108,955
Disbursements for acquisition of intangible assets	-368,752	-249,139
Disbursements for acquisition of property, plant and equipment	-9,805,391	-6,699,448
Disbursements for acquisition of financial assets	-36,482,727	-160,368
Net cash flow from investing activities	-46,481,714	-7,038,182
CASH FLOWS FROM FINANCING ACTIVITIES		
Disbursements for financing activities	-47,810	-25,091,285
Disbursements for repayment of financial liabilities	-47,018	-197,503
Disbursements for liabilities paid	-793	-2,696
Disbursements for dividends and other profit distributions	0	-24,922,418
Net cash flow from financing activities	-47,810	-25,122,617
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	18,195,947	55,727,280
Net increase/decrease in cash and cash equivalents	-27,014,151	-4,019,314
Opening balance of cash and cash equivalents as at 1 Jan	45,210,098	59,746,595

7.5 Statement of Other Comprehensive Income

Statement of Other Comprehensive Income for the period from 1 January to 30 September

	JAN - SEP 2023	JAN - SEP 2022
Net profit or loss	7,199,571	39,548,550
Other comprehensive income in the year	0	0
Other comprehensive income in the year, that will not be recognised in the income statement in the future	0	0
Other comprehensive income in the year, that will be recognised in the income statement in the future	0	0
Net Other comprehensive income in the year, that will not be recognised in the income statement in the future	0	0
Total other comprehensive income in the year (after taxes)	0	0
Total comprehensive income in the year (after taxes)	7,199,571	39,548,550

8 NOTES TO THE FINANCIAL STATEMENTS

1 Reporting by Segment

The Company discloses information by segment. An operating segment is a distinctive component of a company that is engaged in a particular product or service (business segment) or in products and services in a specific, geographically defined economic environment (regional segment); these differ in terms of risks and rewards. Segment information is reported by the Company's regional and business segments. The Company's segment reporting is based on regional segments, which are also supported by the Company's corporate governance and internal reporting system.

The Company's regional segments are Slovenia, the European Union, third countries and the markets of the former Yugoslavia.

The Company's business segments are the business units producing the key products Titanium Dioxide, Zinc Processing, Coatings, Masters and Inks, Agro Programme, Polymers and Others.

Business segment profit or loss is stated as the difference between operating income and expenses, taking into account those income and expenses that are directly attributable to each segment, excluding those income and expenses that cannot be allocated to the segment in a meaningful way. Smaller business segments are grouped into one category - business unit - because they are insignificant and detailed disclosures could cause more significant damage to the company.

Cinkarna Celje, d.d. reports revenue from contracts with customers by geographically defined segments and sales programmes. Revenue from contracts with customers is shown according to the geographical location of the customers and the sales programmes. In preparing and presenting the income statement and revenue from contracts with customers, the Company monitors the following segments:

- Titanium dioxide, comprising sales of titanium dioxide pigment together with other sales of the TiO₂ business unit together with CEGIPS and sulphuric acid;
- Zinc processing, comprising all sales of metallurgical products;
- Inks, varnishes, coatings, masterbatches and printing inks;
- Agro programme covering all sales of copper fungicides and Humovites;
- Polymers, which comprise all polymer sales of the business unit,
- Other, comprising sales of service activities and other unallocated items.

Sales by business segment

	In €	
	JAN - SEP 2023	JAN - SEP 2022
Titanium dioxide	112,543,498	158,383,496
- of which TiO ₂ pigment	110,379,220	155,729,605
Zinc recycling	4,499,823	6,654,503
Varnishes, coatings, masterbatches	13,119,605	15,252,425
Agricultural products	3,807,948	6,561,987
Polymers	1,737,337	1,316,940
Others	401,728	419,448
TOTAL	136,109,939	188,588,798

Sales by regional segment

	In €	
	JAN - SEP 2023	JAN - SEP 2022
Slovenia	12,070,411	15,874,986
European Union	102,768,662	144,849,232
Market of the countries of the former Yugoslavia	2,680,109	4,242,241
Third countries	15,228,031	21,776,598
Third countries - dollar market	3,362,725	1,845,742
TOTAL	136,109,939	188,588,798

Profit or loss by business segment

In €

	Titanium dioxide - pigments		Zinc recycling		Varnishes, coatings, masterbatches,		Agricultural products		Polymers		Others		Total	
	30 September 2022	30 September 2023	30 September 2022	30 September 2023	30 September 2022	30 September 2023	30 September 2022	30 September 2023	30 September 2022	30 September 2023	30 September 2022	30 September 2023	30 September 2022	30 September 2023
Revenues from contracts with customers	158,383,496	112,543,498	6,654,503	4,499,823	15,252,425	13,119,605	6,561,987	3,807,948	1,316,940	1,737,337	419,448	401,728	188,588,798	136,109,939
Other operating revenues	319,352	308,385	663	40	1,803	911	1,382	3,298	210,752	210,472	1,616,245	1,619,125	2,150,196	2,142,231
Change of inventory levels	2,281,054	2,490,513	242,270	-184,925	671,964	-266,045	-523,858	-328,251	0	0	-8,280	-9,231	2,663,150	1,702,061
Operating costs	-115,374,604	-106,604,562	-6,675,720	-4,572,376	-13,063,453	-12,721,710	-6,022,211	-4,089,469	-1,183,217	-1,592,857	-2,394,141	-2,237,875	-144,713,346	-131,818,849
- of which depreciation	-7,040,328	-7,226,716	-59,740	-48,749	-314,417	-281,518	-206,309	-201,453	-146,014	-150,396	-2,124,804	-1,846,630	-9,891,612	-9,755,462
Operating profit or loss	45,609,298	8,737,834	221,716	-257,438	2,862,741	132,761	17,300	-606,474	344,475	354,952	-366,728	-226,253	48,688,801	8,135,383
Interest income	0	0	0	0	0	0	0	0	0	0	0	0	3,646	264,710
Other financial Revenues	0	0	0	0	0	0	0	0	0	0	0	0	1,191,585	593,156
Interest expenses	0	0	0	0	0	0	0	0	0	0	0	0	2,696	793
Other financial Expenses	0	0	0	0	0	0	0	0	0	0	0	0	1,055,966	442,516
Financial result	0	0	0	0	0	0	0	0	0	0	0	0	136,569	414,557
Deferred taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Income tax	0	0	0	0	0	0	0	0	0	0	0	0	9,276,820	1,350,369
Net profit or loss	0	0	0	0	0	0	0	0	0	0	0	0	39,548,550	7,199,571

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 segment is shown below.

In €

	JAN..SEP 2023	JAN..SEP 2022
Net revenues from contracts with the customers for products and services	135,679,568	188,041,603
Net revenues from contracts with the customers for goods and materials	430,371	547,197
TOTAL	136,109,939	188,588,798

3 Other operating revenues

In €

Revenue	JAN - SEP 2023	JAN - SEP 2022
Profit on sale and write-offs of assets	3,269	7,253
Revenues from government grants + Covid-19*	0	34,430
Revenues from government grants - energy act	0	300,000
Recovered written-off receivables	1,500	0
Indemnities from insurance companies	27,562	13,069
Indirect cost allowance for the cost of greenhouse gas emissions for 2022	277,257	0
Other income	27,413	15,235
TOTAL	337,002	369,987

* Revenue refers to received refundable claims arising from isolation (Covid disease).

4 Costs by natural types

In €

	JAN - SEP 2023	JAN - SEP 2022
Cost of goods and materials sold	280,314	199,463
Costs of materials	85,046,750	96,682,917
Costs of services	11,734,770	12,423,454
Labour costs	23,372,756	22,196,169
Depreciation and amortisation	9,755,462	9,891,612
Other business expenses	1,628,774	3,319,674
Impairment and write-downs of operating receivables	21	52
TOTAL	131,818,847	144,713,343

5 Labour costs

Labour cost	In €	
	JAN - SEP 2023	JAN - SEP 2022
Salaries, wages and compensations for salaries and wages	16,731,407	15,409,411
Social security contributions	2,687,272	2,526,440
Reimbursements of expenses to employees and other employee income	3,641,680	3,938,715
Supplementary pension insurance	312,397	321,604
TOTAL	23,372,756	22,196,169

The Company had 753 employees as at 30 September 2023. The average number of employees was 759.

6 Depreciation and amortisation

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.

Description	In €	
	JAN - SEP 2023	JAN - SEP 2022
Depreciation and amortisation		
- intangible assets	155,688	106,295
- easement	54,258	54,258
- buildings	2,507,717	2,493,866
- production equipment	7,034,571	7,233,425
- other equipment	3,228	3,769
TOTAL	9,755,462	9,891,612

7 Operating Expenses

Operating Expenses

Expense	In €	
	JAN - SEP 2023	JAN - SEP 2022
Costs of materials	85,046,750	96,682,917
Costs of services	11,734,770	12,423,454
Cost of goods and materials sold	280,314	199,463
Other business expenses	1,628,774	3,319,674
TOTAL	98,690,608	112,625,509

Other business expenses

Other business expenses	In €	
	JAN - SEP 2023	JAN - SEP 2022
Establishment of provisions for ecology	0	59,144
Ecology fees and reimbursements	351,204	378,777
Awards to students for internship	220,235	197,699
The contribution for the use of ground land	421,590	469,367
Revaluation of inventories of materials and goods	372,348	2,005,435
Loss on sale of fixed assets	10,191	58,356
Other costs and expenses	253,205	150,897
TOTAL	1,628,774	3,319,674

8 Financial revenues and expenditure

Revenue	In €	
	JAN - SEP 2023	JAN - SEP 2022
Net exchange rate differences	150,639	119,595
Interest income	264,710	3,646
Dividend income	0	16,025
Total financial revenues	415,349	139,265
Interest expenses	-793	-2,696
Total financial expenditure	-793	-2,696
Net financial result	414,557	136,569

9 Income tax

The assessed income tax at the 15.4 % effective tax rate is € 1,350,369.

10 Intangible assets

Group of intangible assets for 2023	Cost		Adjustment		Carrying amount	
	30 September 2023	31 December 2022	30 September 2023	31 December 2022	30 September 2023	31 December 2022
	Property rights	5,937,362	5,845,554	5,051,305	4,907,487	886,057
Assets being acquired	535,232	270,158	0	0	535,232	270,158
TOTAL	6,472,594	6,115,711	5,051,305	4,907,487	1,421,289	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

Group of property, plant and equipment for 2023	Cost		Adjustment		Carrying amount	
	30 September 2023	31 December 2022	30 September 2023	31 December 2022	30 September 2023	31 December 2022
	Land	10,803,263	10,803,263	1,253,012	1,198,754	9,550,251
Buildings	129,146,877	128,674,115	89,565,346	87,057,629	39,581,531	41,616,487
Equipment	228,278,000	225,138,242	187,324,391	183,644,286	40,953,609	41,493,957
Assets being acquired	13,101,325	10,276,338	0	0	13,101,325	10,276,338
Advances	2,464,611	1,091,727	0	0	2,464,611	1,091,727
TOTAL	383,794,076	375,983,686	278,142,748	271,900,668	105,651,328	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 a finance lease. According to the state of affairs as at 30 September 2023, the Company also had no assets pledged as collateral.

12 Financial assets

Group of non-current financial investment for 2023	Cost		Revaluation		Fair value	
	30 September 2023	31 December 2022	30 September 2023	31 December 2022	30 September 2023	31 December 2022
	Other investments	2,077,692	2,077,692	103,927	103,927	1,973,765
TOTAL	2,077,692	2,077,692	103,927	103,927	1,973,765	1,973,765

Investments in the shares of Elektro Celje and Elektro Maribor are valued according to the fair value model as their share in the total shares of the mentioned companies is less than 1%.

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 long-term assets

Group of other long-term assets for 2023	Cost		Adjustment		Carrying amount	
	30 September 2023	31 December 2022	30 September 2023	31 December 2022	30 September 2023	31 December 2022
	Emission allowances	84,444	68,049	0	0	84,444
TOTAL	84,444	68,049	0	0	84,444	68,049

14 Short-term financial liabilities

Group of short-term investments Year 2023	Value of investments		Adjustment of investments		Net investments	
	30 September 2023	31 December 2022	30 September 2023	31 December 2022	30 September 2023	31 December 2022
	Short-term financial investments-treasury bills	36,482,727	0	0	0	36,482,727
TOTAL	36,482,727	0	0	0	36,482,727	0

Short-term financial liabilities are investments in treasury bills with maturities of 3 to 6 months.

15 Inventories

In €

Group of inventories	30 September 2023	31 December 2022	Realisable value
Material	33,207,817	45,206,025	33,207,817
Work in progress	2,900,982	3,266,936	2,900,982
Products	26,256,514	24,187,102	32,689,227
Merchandise	18,397	29,786	18,397
Advances given	353,916	64,974	353,916
TOTAL	62,737,626	72,754,823	69,170,338

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 30 September 2023 exceeds their carrying amount.

16 Operating receivables

Short-term trade receivables

In €

Group of receivables for 2023	Value of receivables		Adjustment		Net receivables	
	30 September 2023	31 December 2022	30 September 2023	31 December 2022	30 September 2023	31 December 2022
Buyers in the country	3,535,893	2,947,578	266,985	266,985	3,268,908	2,680,593
Foreign buyers	21,087,306	19,407,517	370,294	371,794	20,717,012	19,035,723
Exporting agents	209,334	368,044	0	0	209,334	368,044
Foreign account receivables	2,681	2,681	0	0	2,681	2,681
TOTAL	24,835,213	22,725,820	637,279	638,780	24,197,934	22,087,040

Trade receivables from customers are secured with an external institution from 1 June 2021.

Movement of impairments of short-term trade receivables

In €

Year 2023	Status	Adjustment	Formed value	Write-offs of value adjustments	Paid written-off receivables	Status
	31 December 2022	2023	adjustment in 2023	from previous years		30 September 2023
Buyers in the country	266,985	0	0	0	0	266,985
Foreign buyers	371,794	0	0	0	1,500	370,294
TOTAL	638,780	0	0	0	1,500	637,279

Group of Trade Receivables by Maturity

In €

Group of trade receivables by maturity	Gross value 30.09.2023	Correction 30.09.2023	Gross value 31.12.2022	Correction 31.12.2022
Non past due	21,252,286	15,763	19,743,148	15,763
Past due up to 15 days	2,097,942	1,569	1,960,633	1,569
Past due from 16 up to 60 days	665,065	1,633	345,946	1,633
Past due from 16 up to 180 days	201,661	56	56,335	56
Past due over 180 days	618,259	618,259	619,759	619,759
TOTAL	24,835,214	637,279	22,725,820	638,780

Current Receivables due from Others

In €

Group of receivables	30 September 2023	31 December 2022
Receivables for VAT	1,796,093	1,984,953
Receivables due from Sovereign institutions	151,050	167,293
Receivables due from employees	21,251	23,060
Other receivables	21,378	28,197
TOTAL	1,989,773	2,203,503

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

17 Cash and cash equivalents

In €

Group of assets	30 September 2023	31 December 2022
Cash in hand	30	30
Bank balances	3,144,945	24,210,068
Short-term call deposits	15,000,000	21,000,000

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Foreign currency bank balances	50,972	0
TOTAL	18,195,947	45,210,098

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

18 Other current assets

Among other short-term (current) liabilities, the Company shows short-term deferred costs or expenses and VAT from advances received.

Description	30 September 2023	31 December 2022
Costs paid in advance	132,564	100,859
VAT on advances received	67,490	32,150
Accrued unpaid revenue	277,257	0
TOTAL	477,310	133,009

19 Equity of the owners of the Company

Equity items	30 September 2023	31 December 2022
Called-up capital	20,229,770	20,229,770
Capital reserves	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	103,358,966	103,358,966
Fair value reserves	-809,390	-809,390
Retained profits	32,213,963	25,014,392
TOTAL EQUITY	216,209,720	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 30 September 2023, share capital stands at EUR 20,229,770. The Company holds 264,650 treasury shares as at 30 September 2023. In 2023, the company did not acquire any treasury shares.

20 Non-current liabilities

Group of non-current liabilities	30 September 2023	31 December 2022
Provisions for jubilee benefits and severance payments	3,350,263	3,651,696
Provisions for the environment	14,647,612	14,816,968
State aid received	84,444	44,047
Deferred revenues	317,060	319,007
TOTAL	18,399,379	18,831,718

Post-employment employee benefits

Post-employment employee benefits	30 September 2023	31 December 2022
Provisions for severance payments	2,970,716	3,204,640
Provisions for jubilee benefits	379,546	447,056
TOTAL	3,350,263	3,651,696

Post-employment employee benefits	31 December 2022	Dedicated use	30 September 2023
Provisions for severance payments	3,204,640	233,924	2,970,716
Provisions for jubilee benefits	447,056	67,510	379,546
TOTAL	3,651,696	301,433	3,350,263

Provisions

Provisions for the environment	Status of 31 December 2022	Yearly dedicated use plan 2023	Use 2023	Status of 30 September 2023
Provisions for the Za Travnik landfill	888,133	250,000	28,930	859,203
Provisions for the Bukovžlak landfill (ONOB)	8,541,868	1,500,000	106,330	8,435,538
Provision for Bukovžlak high barrier	2,712,809	250,000	34,096	2,678,713

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Provision for Ecology - Ecology investment in the field of TiO ₂ production	2,674,157	0	0	2,674,157
TOTAL	14,816,968	2,000,000	169,356	14,647,612

The use of environmental provisions in 2023 is represented by the costs of the contractors for the work carried out in the amount of € 169,356. No new provisioning in 2023.

Deferred revenues

	In €	
Deferred revenues	30 September 2023	31 December 2022
Exempt contributions for employment of disabled persons	0	1,947
Non-current deferred revenue for equipment	1,345	1,345
Funds received from the EU Fund	133,335	133,335
Equipment and vehicles obtained free of charge	9,013	9,013
Emission allowances	84,444	44,047
Photovoltaic subsidies	173,366	173,367
TOTAL	401,504	363,054

21 Current financial liabilities

	In €	
Group of liabilities	30 September 2023	31 December 2022
Current financial liabilities – assignments, cessions	12,374	59,392
TOTAL	12,374	59,392

22 Current operating liabilities

	In €	
Group of liabilities	30 September 2023	31 December 2022
Current trade payables to domestic suppliers	11,695,720	11,372,481
Current trade payables to foreign suppliers	2,841,703	3,526,380
Current liabilities for goods and services not invoiced	67,035	0
Current operating liabilities from advances	4,661	170,164
Current liabilities to employees	1,415,057	2,602,550
Current liabilities for the contributions of the payer	740,927	1,326,675
Current liabilities to government and other institutions	164,677	509,838
Other current liabilities	8,237	10,057
TOTAL	16,938,017	19,518,145

23 Liabilities for corporate income tax

	In €	
Income tax	30 September 2023	31 December 2022
Current liabilities for corporate income tax	0	2,367,161
TOTAL	0	2,367,161

24 Liabilities based on contracts with customers

	In €	
Liabilities based on contracts with customers	30 September 2023	31 December 2022
Liabilities based on contracts with customers	403,585	157,520
TOTAL	403,585	157,520

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

25 Other current liabilities

Other current liabilities comprise accrued costs or expenses.

	In €	
Description	30 September 2023	31 December 2022
Accrued unused right to annual leave	797,395	797,395
Accrued costs	1,527,786	150,090
VAT from advances granted	102,978	54,766
State aid received (ZPGOPEK)*	4,565,615	0
Other	0	1,668
TOTAL	6,993,775	1,003,919

*The Company is a recipient of aid under the Act on Aid to the Economy to Mitigate the Consequences of the Energy Crisis, the aid is recorded as deferred income and will be transferred to revenue when all the facts necessary for its recognition are known.

26 Contingent Assets and Liabilities

Description	In €	
	30 September 2023	31 December 2022
Guarantees granted	2,275,179	2,275,179
Futures and forwards	99,697	50,953
VISA and Mastercard	40,000	40,000
Material in the process of completion or processing	59,726	59,725
TOTAL	2,474,602	2,425,857

27 Fair value

	30 September 2023		31 December 2022	
	Book value	Fair value	Book value	Fair value
Financial assets at fair value through other comprehensive income	1,973,765	1,973,765	1,973,765	1,973,765
Short-term financial liabilities	36,482,727	36,482,727	0	0
Trade receivables	24,197,934	24,197,934	22,087,040	22,087,040
Cash and cash equivalents	18,195,947	18,195,947	45,210,098	45,210,098
Financial liabilities	-12,374	-12,374	-59,392	-59,392
Trade payables	-14,604,458	-14,604,458	-14,898,860	-14,898,860
Liabilities from contracts with customers	-403,585	-403,585	-157,520	-157,520
Total	65,829,957	65,829,957	54,155,131	54,155,131

According to the fair value calculation, financial investments are classified into three groups:

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

Fair value of assets	30 September 2023				31 December 2022			
	Group 1	Group 2	Group 3	Total	Group 1	Group 2	Group 3	Total
Financial assets at fair value through other comprehensive income	0	1,973,765	0	1,973,765	0	1,973,765	0	1,973,765
Total assets measured at fair value	0	1,973,765	0	1,973,765	0	1,973,765	0	1,973,765
Assets for which fair value is disclosed								
Short-term financial liabilities	0	0	36,482,727	36,482,727	0	0	0	0
Trade receivables	0	0	24,197,934	24,197,934	0	0	22,087,040	22,087,040
Cash and cash equivalents	0	0	18,195,947	18,195,947	0	0	45,210,098	45,210,098
Total assets for which fair value is disclosed	0	0	78,876,609	78,876,609	0	0	67,297,138	67,297,138
Total	0	1,973,765	78,876,609	80,850,374	0	1,973,765	67,297,138	69,270,903

Fair value of liabilities	30 September 2023				31 December 2022			
	group 1	group 2	group 3	Total	group 1	group 2	group 3	Total
Financial liabilities	0	0	12,374	12,374	0	0	59,392	59,392
Trade payables	0	0	14,604,458	14,604,458	0	0	14,898,860	14,898,860
Liabilities from contracts with customers	0	0	403,585	403,585	0	0	157,520	157,520
Total liabilities for which fair value is disclosed	0	0	15,020,417	15,020,417	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 30 September 2023 and 31 December 2022. It is compiled according to the indirect method using data from the statement of financial position as at 30 June 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 period.

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 has stable cash flows. The Company's operations are traditionally conservative with high cash flow. Liquidity management includes, among other things, the planning of expected monetary liabilities and their coverage, ongoing monitoring of customers' solvency and regular collection of overdue receivables. The credit rating is AAA. Cinkarna was also awarded the international Platinum Certificate of Rating Excellence 2023, which confirms its reliability, credibility and operational excellence in relation to all stakeholders.

Interest rate risk

Interest rate risk is the possibility of losses due to unfavourable changes in interest rates on the market. The Company has no long-term financial liabilities and has no related measures put in place. Should this fact change, appropriate measures would be put in place in order to manage this risk.

In order to increase its financial income, the Company, as a result of its strong performance and favourable financial position, enters into deposit agreements with banks at minimum positive interest rates and purchases treasury bills with maturities of 3 to 6 months. At the balance sheet date 30/09/2023, the investments of the treasury bills amount to € 36.5 million. If the Company needs cash before its maturity, this could reduce the Company's financing income. The Company is in a strong cash position and considers the risk of a shortfall in financial income from these investments to be highly unlikely.

On the balance sheet date 30/9/2023 deposits with a maturity of up to one year amount to EUR 15 million.

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 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.

For many years, Cinkarna Celje, d.d. has been conducting internal credit control for individual buyers, to whom they determined an individual credit limit, according to payment discipline, credit rating and good business with the company. The process of monitoring and managing credit risk increased further in mid-2021 with the onset of collateral claims with an external institution where credit limits are set, monitored and changed on a daily basis. For certain customers who have not reached the credit limit with the insurance company, a TOP-UP scheme is established.

In addition to regular monitoring of the credit limit for individual customers, the payment discipline of the buyer is monitored on a daily basis, as well as the publications on AJPES in connection with the publication of procedures under the Financial Operations, Insolvency Proceedings, and Compulsory Dissolution Act (ZFPPIPP). Also, from the moment the claim is due, the buyer is reminded of the due date of the claim by means of a reminder, first by phone,

then by letter, and default interest is charged from the due date until payment. The process of regular monitoring and control of the payment of claims against customers is a constant of the company, which results in a small share of the write-down or impairment of claims in relation to the share in the sale.

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

	Notes	30 September 2023	31 December 2022
Financial investments	12, 14	36,482,727	1,973,765
Trade receivables	16	24,197,934	22,087,040
Cash and cash equivalents	17	18,195,947	45210098
TOTAL		78,876,609	69,270,903

In €

The Company has a sound structure of trade receivables, which can be seen in Note 16: Operating receivables in the table: Trade Receivables by Maturity and in the table: Movement of impairments of short-term trade receivables.

Currency risk

Cinkarna Celje, d. d. performs its purchasing and sales on the global market, which is why it is also exposed to the risk of unfavourable inter-currency ratios. The most important is the EUR/USD exchange rate. Because the majority of sales are transacted in euros, exposure is worrying especially in dollar-denominated purchasing of titanium-bearing ores as well as exceptional purchases of sulphur and copper compounds. Exposure to dollar-denominated sales is much lower in terms of volume.

We are continuously monitoring changes and forecasts in relation to the dynamics of the EUR/USD currency pair. Basically, we 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 foreign exchange rate risk

	30 September 2023		31 December 2022	
	EUR*	USD	EUR*	USD
Short-term financial liabilities	36,482,727	0	0	0
Trade receivables	23,985,571	221,800	21,673,232	413,838
Advances given	2,839,906	0	1,168,851	0
Cash and cash equivalents	18,195,947	0	45,210,098	0
Current financial liabilities	12,374	0	-59,392	0
Current operating liabilities	-14,604,185	-290	-19,450,525	-67,620
Exposure to the statement of financial position (net)	66,912,340	221,510	48,542,264	346,218

In €

* EUR is a functional currency and does not represent an exposure to foreign exchange rate risk. In addition to the functional currency EUR, the company also uses the currency USD (US dollar), which was used in the calculation of balance sheet items as at 30 September and is equal to the reference rate of the European Central Bank, namely the number of one national currency for 1 EUR as at 30 September 2023 is 1.0594 and as at 31 December 2022 is 1.0666.

Sensitivity analysis

A 1% change in the value of the USD against the EUR at 30/09/2023 and 31/12/2022 would change the profit before taxes by the amounts shown in the table below. The analysis, which is done in the same way for both years, assumes that all variables, especially interest rates, remain unchanged. In calculating the impact of the US dollar exchange rate change, the balance of claims and liabilities denominated in dollars is taken into account.

	30 September 2023		31 December 2022	
Change in the USD currency	1%	-1%	1%	-1%
Impact on the profit/loss before taxes	2,347	-2,347	3,693	-3,693

In €

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 profit before taxes for the values indicated above.

Capital management

The primary objective of capital management of Cinkarna Celje, d.d. is to provide a high credit rating and appropriate financing indicators, thereby ensuring the proper development of its business and creating the maximum value for its shareholders.

Cinkarna Celje, d.d. wishes to keep pace with changes in the economic environment by managing and adjusting its capital structure. It pays dividends once a year, in accordance with the dividend policy adopted and the resolutions of the General Meeting. Cinkarna Celje, d.d. has no specific goals regarding employee ownership and no share options programme. There were no changes in the way capital was managed in 2023. Cinkarna Celje, d.d. uses a leverage indicator for capital control, which shows the share of net indebtedness in capital and total net indebtedness. Net indebtedness includes financial and business liabilities less cash and its equivalents.

	In €	
	30 September 2023	31 December 2022
Financial liabilities	12,374	59,392
Business and other current liabilities	24,335,377	23,046,745
Cash and cash equivalents	-18,195,947	-45,210,098
Net debt	6,151,803	-22,103,961
Equity	216,209,720	209,010,148
Capital and net debt	222,361,523	186,906,187
Leverage indicator	3%	-12%

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

There have been no events after the balance sheet date of 30 September 2023 that have had a material effect on the reported financial position of the Company.