

UNAUDITED BUSINESS REPORT OF CINKARNA CELJE IN THE PERIOD JANUARY-JUNE 2022

CONTENTS

THE COLLECTION OF THE MOST IMPORTANT DATA	2
BUSINESS REPORT	3
MANAGEMENT BOARD'S DECLARATION OF RESPONSIBILITY	5
1 SALES	6
1.1 Sales by geographical segment	6
1.2 Sales by business segment	7
2 ANALYSIS OF BUSINESS PERFORMANCE	9
2.1 Profit or loss	9
2.2 Expenses and costs	9
2.3 Assets	10
2.4 Liabilities to sources of funds	11
3 EMPLOYEES	12
4 THE COMPANY'S MOST IMPORTANT OPERATING RISKS	13
5 INFORMATION ON SHARES AND THE OWNERSHIP STRUCTURE	21
5.1 Ownership structure	21
5.2 Trading in shares	22
6 DEVELOPMENT FOUNDATIONS	23
6.1 Investments	23
6.2 Development activity	23
6.3 Quality assurance	24
6.4 Environmental management	25
6.5 Health and Safety	28
7 FINANCIAL STATEMENTS	29
7.1 Income Statement	29
7.2 Statement of company's financial position	30
7.3 Statement of changes in equity	32
7.4 Cash Flow Statement for the period	33
7.5 Statement of Other Comprehensive Income	34
8 NOTES TO THE FINANCIAL STATEMENTS	35
9 IMPORTANT BUSINESS EVENTS OCCURRING AFTER THE END OF THE FINANCIAL PERIOD	46

THE COLLECTION OF THE MOST IMPORTANT DATA

OPERATIONS in € 000	I.-VI. 2022	I.-VI. 2021	2021	2020	2019
Sales revenues	134,212.01	99,390.26	192,462.10	172,386.90	172,587.00
Operating profit (EBIT) ¹	37,154.25	19,629.52	39,976.60	22,534.40	25,726.90
Operating profit increased by depreciation (EBITDA) ²	43,750.87	26,172.03	51,258.00	32,467.20	32,296.30
Net profit or loss	30,089.28	15,822.23	33,227.10	18,950.70	21,436.40
Non-current assets (end of period)	107,423.65	107,392.68	110,511.61	110,888.70	107,753.80
Current assets (end of period)	134,945.19	103,429.95	131,373.20	100,251.70	100,516.50
Capital (end of period)	195,332.65	172,762.32	190,165.80	174,820.90	170,806.10
Non-current liabilities (end of period)	22,880.94	20,151.64	23,273.00	20,876.40	22,578.00
Current liabilities (end of period)	24,155.25	16,128.77	28,446.00	15,443.00	14,886.20
Investments	3,630.66	4,153.96	11,325.40	12,233.00	11,956.00
INDICATORS					
The share of EBIT in sales revenues	0.28	0.20	0.21	0.13	0.15
The share of EBITDA in sales revenues	0.33	0.26	0.27	0.19	0.19
Return on sales (ROS)	22.42	15.92	17.26	10.99	12.42
Return on equity (ROE) ³	15.61	9.10	21.40	12.50	14.70
Return on assets (ROA) ⁴	12.43	7.50	14.70	9.00	10.20
Added value per employee ⁵	82,116	54,198	106,181	78,729	80,896
NUMBER OF EMPLOYEES					
End of year/period	775	800	793	824	846
End of year/period average	781	808	801	838	874
SHARE INFORMATION					
Total number of shares	807,977	807,977	807,977	807,977	807,977
Number of treasury shares	26,465	25,315	26,465	21,951	10,652
Number of shareholders	2,085	2,028	2,077	1,920	1,920
Net profit per share in € ⁶	37.24	19.58	41.12	23.45	26.53
Dividend yield ⁷	10 %	9 %	9 %	11 %	13 %
Gross dividend per share in €	31.89	21.00	21.00	17.00	28.30
Share exchange rate at the end of the period in €	274.00	229.00	259.00	178.00	187.50
Book value of the share in € ⁸	241.76	213.82	235.40	216.40	211.80
Market capitalisation in € 000 (end of period)	221,385.70	185,026.73	209,266.04	143,819.91	151,495.69

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 asset 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 is in Cinkarna.

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

In the first half of the year 2022 we realised sales which were 35 % higher than the sales of the previous comparable period. The rise is further influenced by higher average prices of titanium dioxide pigment. With the beginning of the second half of the year, however, there is a slowdown in demand due to inflation pressures and the re-appearance of Asian pigment on the fringe markets of the EU.

The most important cornerstones of business performance are still the titanium dioxide pigment and the rationalisation of the portfolio of strategic business areas, which is aimed at focusing on the core programme and abandoning unprofitable activities.

Globally, we are one of the smaller producers by production capacity of titanium dioxide pigment. In Europe, we are comparable to smaller plants of Eastern European producers. From industry analyses and comparisons of business performance, we find that Cinkarna Celje, d.d., is one of the most successful participants in the titanium dioxide pigment industry. The Management Board estimates that the achieved business results are objectively good and exceed the forecasts for the period. Cinkarna Celje, d. d., is a relatively small producer of pigment, so we face market conditions and changes as a typical follower, but of course we try to make the most of the market potential in terms of level and time dynamics.

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. At the same time, we are aware that employees are the most important foundation of business success, so we will continue to ensure, in agreement with representative unions and employee representatives, that employee benefits will also adequately reflect the company's performance or the quality of its results.

The growth in economic activity in the Euro area has been slowing down since May. Private consumption is declining with high inflation and some ongoing pandemic measures. The outbreak of war in Ukraine and the partial closure of the economy in China are intensifying disruptions in global supply chains. The result of this is also reflected in the deteriorated indicator of the buyers. However, central bank adjustment to inflation is exacerbating financing conditions. Uncertainties related to the rise in the prices of raw materials, transport and in particular energy products, which could have a significant negative impact on the company's operations and its business plans in the second half of the current year, and in particular in the following year, are increasing.

The macro conditions explained above in the context of concrete markets and carrier products of Cinkarna Celje, d.d., mean that consumers of pigment are faced with weaker demand and worse sentiment, especially in the DIY segment, with high costs and inflation being key reasons. In addition to the stable domestic supply of pigment, imported quantities from Asia are increasing. In the field of pigment of Asian origin, a larger fall in FOB prices has been observed recently. The high cost of transport is slowly but steadily decreasing, increasing the attractiveness of such an offer for European buyers. Based on the evaluation of the current market situation, we estimate that a price correction will be present during the year. At the same time, there is great pressure to increase the prices of some key raw materials, including titanium-bearing ores, energy and transport, which will already in the second half of this year, and especially in the next year, cause great pressure to reduce profit margins.

The sale of other business units is above the level of the previous comparable period. In particular, this relates to the field of metallurgy and agricultural products, which, due to higher stock exchange prices of input raw materials, are higher than achieved in the same period of the previous year.

The basic emphases of the company's business policy remain 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 consideration, Cinkarna Celje, d. d., generated sales revenues in the amount of EUR 134.2 million, which is 35 % more than in the comparable period of the previous year. The total value of exports in the period considered reached EUR 122.6 million, which is 36 % more than in the same period of the previous year. Net profit reached EUR 30.1 million and was 90 % higher than in the comparable period of the previous year, when it reached EUR 15.8 million. The operating profit or loss increased by depreciation or EBITDA amounted to EUR 43.8 million and amounts to 32.6 % of the sales achieved. In comparison with the previous year, EBITDA is higher by 67 %.

In the field of work with employees and human resources management, during the COVID-19 epidemic we paid special attention to a set of measures by the Management Board, aimed at ensuring the smooth operation of the company and consequently the conditions of maximum safe and healthy work, protection of employees from the possibility of infection and optimisation of working conditions during the limited operation of human resources. We follow the principle of a positive motivating salary policy and ensuring an appropriate level of employee satisfaction and motivation.

In the first six months we spent EUR 3.6 million on investments, the purchase of fixed assets and replacement equipment, and environmental investments, which represents 26 % of the planned funds for 2022. We are investing in programmes that show growth potential. With investments in production, we are primarily pursuing the objective of ensuring the viability of the volume of quantitative production, achieving higher quality, legislative compliance and energy sustainability. We are constantly improving the operation or upgrading of treatment plants and implementing measures to reduce emissions in the working environment.

With development activity we follow the strategy for the five-year period and at the same time prepare the basis for its revision, especially in terms of updating the existing programmes. Development activities were carried out according to the perceived opportunities in the areas we professionally manage, according to trends and the expectations of customers.

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 reducing our carbon footprint, the use of renewable energy sources, material reuse and energy efficiency.

The company implements several interconnected projects by which we comprehensively manage spatial and environmental risks. The most important projects are the ones 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.

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 June 2022, are prepared to present a true and fair view of the assets and operating results of Cinkarna Celje, d.d.

In preparing the statements for the first half of 2022, the same accounting measures were taken into account as when preparing the financial statements of Cinkarna Celje, d.d., for the financial year 2021.

Financial statements for the financial period ended on 30 June 2022, 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 2021.

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 half of 2022 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 half of 2022 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 22 July 2022.

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 total sales of the company over the period under examination in 2022 was 35 % higher than the sales achieved in the comparable period in 2021. The total amount of sales or net sales revenues amounted to EUR 134.2 million. One of the higher monthly sales in 2022 was achieved in March, when it amounted to EUR 23.6 million and represents a monthly historical record in general.

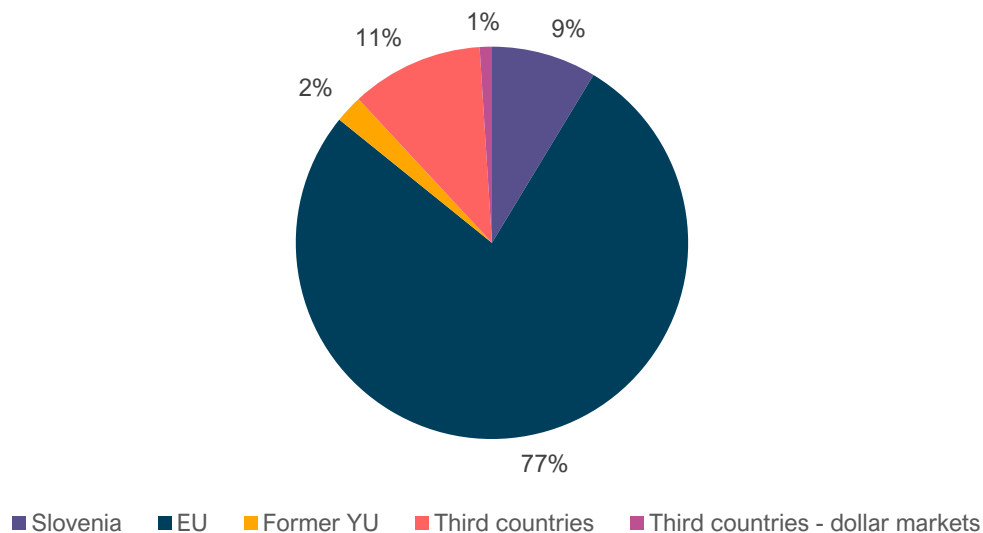
1.1 Sales by geographical segment

In the first half of 2022, compared to the first half of 2021, total sales on the foreign market increased by 36 %. The increase in sales to foreign markets is undoubtedly due to higher sales prices of pigment. In absolute terms, the most obvious increase is in sales to EU markets due to the lack of supply of European pigment and the high cost of imports of Asian pigment.

Sales by geographical segment

	2021	2022	ΔPY %
Slovenia	9,024,181	11,620,561	+29
EU	73,624,132	103,539,865	+41
Former YU	2,161,785	3,065,739	+42
Third countries	12,688,101	14,633,821	+15
Third countries - dollar markets	1,892,059	1,352,019	-29
TOTAL	99,390,257	134,212,006	+35

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



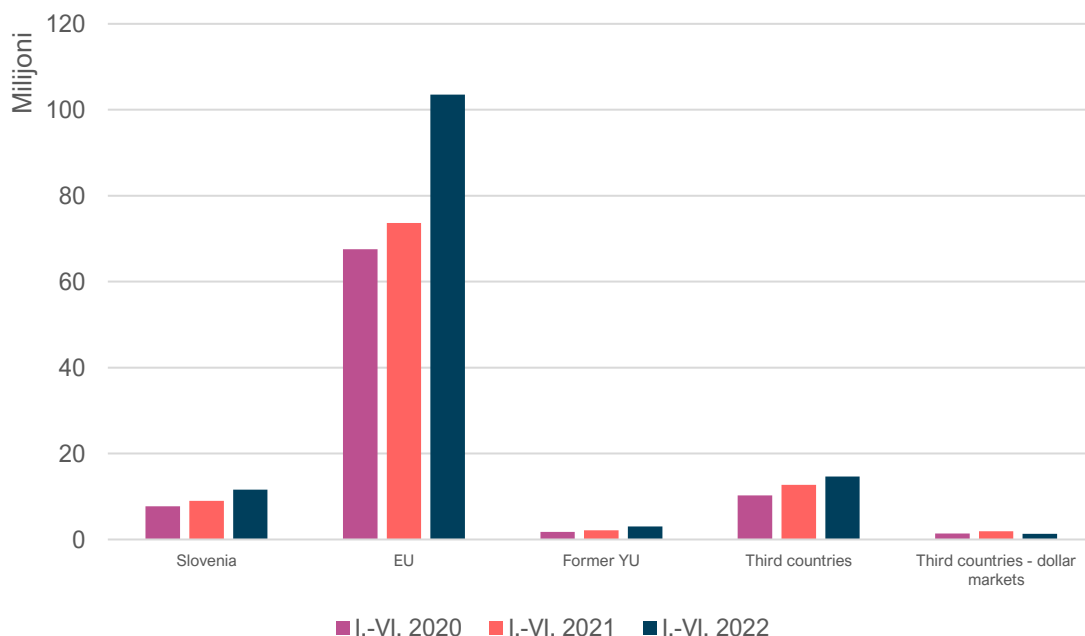
Sales on the EU market are 41 % higher than in the comparable period of the previous year. The exceedance was mainly due to higher sales prices of pigment and higher stock prices of copper and zinc, which in turn affect the sales price of production groups – copper fungicides and zinc alloys. One of the key markets is Germany, where we generate 29.5 % of export sales and 27.0 % of the company's total sales. The importance of the German market decreased slightly compared to the previous year, due to the objective maturity of the market.

Sales to the markets of the former Yugoslavia increased by 42 %, which is related to almost double the sale of pigment.

Domestic sales were 29 % higher compared to the same period of 2021. Sales growth was marked by the growth of sales of all BU except in the Polymers BU.

Sales to Ukraine decreased by 13 % but represented less than a percentage of sales in total exports. In the dollar markets we still 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.

Sales by geographical segment in the first quarters of 2020, 2021 and 2022



The share of total exports in total sales of the company in the year under examination was 91.3 %. Compared to the previous year this share increased by 0.4 percentage points. The increased share of exports refers to an increase in value sales to the key markets of Germany, France, Italy and Austria. 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

	2021	2022	ΔPY %
Titanium dioxide	80,450,346	111,084,568	+38
Zinc recycling	2,998,402	4,587,642	+53
Varnishes, coatings, masterbatches and printing inks	9,055,031	10,785,240	+19
Agricultural products	4,909,116	5,481,275	+12
Other	1,977,362	2,273,281	+15
TOTAL	99,390,257	134,212,006	+35

Over the period considered, the sales of the carrier line of **titanium dioxide pigment** reached a value of EUR 111.1 million. Higher value sales by EUR 30.6 million are the result of higher average sales prices and slightly higher quantities. Contract prices for pigment in Europe rose sharply until 2021, reaching a series of quarterly records. The upward trend in pigment sales prices moderates in the middle of the year, or has reversed compared to June. While demand is relatively stable, there are indications that consumption is slowing due to inflation in Europe and the changing mood of consumers. A reduced supply interest is expected in the industry. The latter is also affected by the uncertainty of natural gas supply, which raises concerns about the operation of European industry.

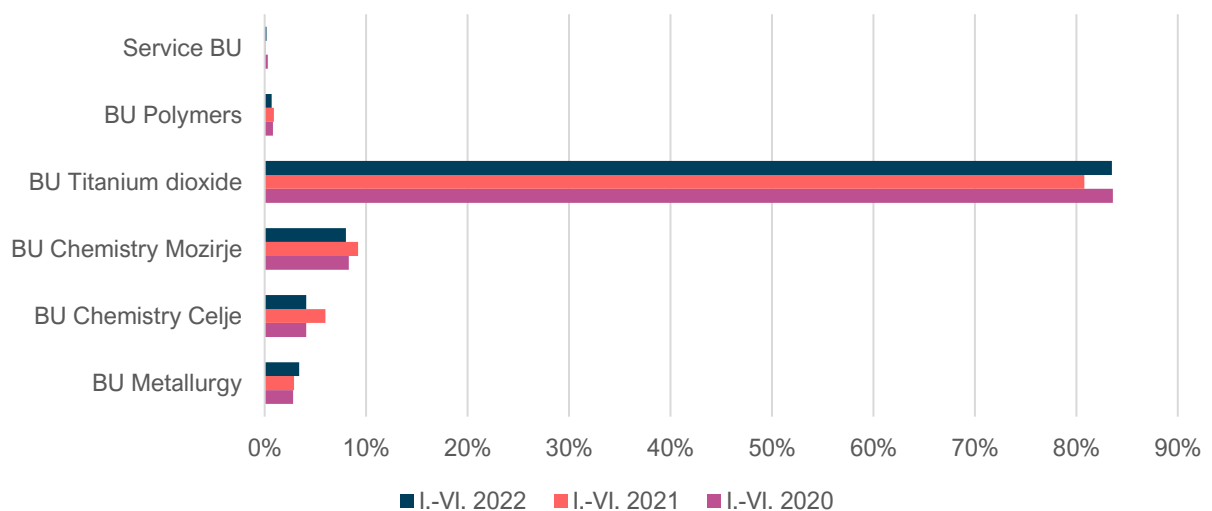
The **zinc recycling line** includes the product groups of zinc wire, anodes and alloys. Business performance is higher than in the comparable period of the previous year by 53 %. The increase in sales mainly relates to higher stock exchange prices of zinc and higher volume sales of zinc wire and alloys.

During the period considered, there was a comparative increase of 19 % in the selling price of the **varnishes, coatings, masterbatches and printing inks** which mainly relates to higher sales prices of masterbatches and powder coatings. This is mainly about the installation of higher entrance prices. The lack of prospects of the production group of printing inks resulted in the closure of the cost centre.

Sales of **agricultural products** comprising copper fungicides, Pepelin, green vitriol (copperas) and Humovit increased by 12 % as compared to 2021. Growth is due to higher sales prices. Average sales prices of copper fungicides increased significantly due to higher copper stock exchange prices and improved sales structure. In 2022 we have continued to produce a very interesting active substance, i.e. tribasic copper sulphate (TBCS). The sale of Humovit is held at the level of a comparable period in 2021. 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.

The category "**others**" comprises the sales lines of thermoplasts, polymers, elastomers and systems for the transport of aggressive mediums (STAM), sulphuric acid, CEGIPS, merchandise and services, and sales of abolished products and product groups. Compared to the first half of 2021, the value sales of this group increased by 15 %. The sales of STAM were just under the 2021 half-year level. The value of sales of sulphuric acid is 15 % higher. In the programmes of this group/category, it is also necessary to highlight CEGIPS. We sold 85.7 thousand tons of CEGIPS, which is important in the context of extending the life of the Za Travnik landfill.

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 higher by 2.7 percentage points. In line with the

higher value sales of metallurgical products, the share of participation of the Metallurgy BU is 0.5 percentage points higher. Other BUs record a decline in participation.

The proportion of the Polymers BU decreased in comparison. The volume of business coincides with the increased investment activity of 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.

The 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 the perspective the relative importance of the core programme, i.e. titanium dioxide, is increasing.

2 ANALYSIS OF BUSINESS PERFORMANCE

2.1 Profit or loss

In the first half of 2022, an operating **profit or loss** of EUR 37.2 million was achieved. This result exceeds the operating profit or loss achieved in the first half of 2021, which amounted to EUR 19.6 million, by 90 %. The operational performance was therefore significantly better than last year, but also significantly above the business plan level. The above-mentioned excess of the result was affected by a good volume of sales and an increase in the selling prices of the carrier product. The operating profit or loss increased by depreciation or EBITDA amounted to EUR 43.8 million and amounts to 32.6 % of the sales achieved. In comparison with the previous year, EBITDA is higher by 67 %.

After calculating the impact of financial revenues and expenses, the **profit or loss before tax** in the first half of 2022 was EUR 37.2 million, while in the first half of 2021 a profit in the amount of EUR 19.5 million was achieved. The pre-tax result increased by 90 % compared to the previous year. In the first half of 2022, a negative balance from financing of EUR 7 thousand was recorded (in the first half of 2021 the balance from financing was also negative and amounted to EUR 95.9 thousand). The negative balance resulting from the financing results from a negative balance of exchange rate differences of EUR 7.2 thousand, a positive balance of investment income and expenses and interest of EUR 0.2 thousand. Despite a minimal negative exchange rate balance of EUR 7.2 thousand, futures and dollar sales represent an effective use of collateral instruments to cope with the volatile movement of the \$/€ currency pair when purchasing titanium-bearing ores.

The net profit for the accounting period is EUR 30.1 million, which is higher than realised in the first half of 2021 by 90 % (€ 15.8 million). Taking into account the developments in the international economy, the titanium dioxide pigment market and, in particular, the results of competitors from the titanium dioxide industry and the COVID-19 situation, we estimate that the result is above average and above expectations. Net profit or loss comprises profit or loss before tax with an income tax levied of EUR 7.1 million (the effective tax rate thus amounts to 19 %).

2.2 Expenses and costs

The structure of consumption of raw materials, packaging and energy shows greater deviations from the comparable period in 2021. In relative terms, the most important increase is in the cost of energy products, which is 75 % higher due to the current situation on the energy market, compared to the first half of 2021. Compared to the comparable period in 2021, the total direct cost of materials, energy and packaging is higher by EUR 14.7 million. Energy efficiency improvement measures aim to tackle the relevant cost category.

The ratio of purchase prices to sales prices varies, at the expense of higher prices on entry. The purchase prices of titanium-bearing raw materials are at higher levels than in the previous year. These are expected to rise in the following quarters.

At the end of the period, the largest share of production costs was for raw materials/materials for production (84.0 %), followed by energy (14.4 %) and packaging (1.6 %).

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. The amount of the holiday pay in 2022 per employee is EUR 1,923.92 gross.

2.3 Assets

The share of non-current (long-term) assets in the structure of total assets decreased by 1.4 percentage points compared to the end of 2021 and amounted to 44.3 %. The largest category of long-term assets is tangible fixed assets (95.5 %). Their value decreased by EUR 3.3 million, or 3 %, in the six months of 2022, as the difference between the amount invested in tangible fixed assets and the actual depreciation calculated. Long-term financial investments remained unchanged in 2022, covering shares and shares of companies. Deferred tax assets also remain at the level of the end of 2021. Other long-term assets are free emission allowances obtained from the state. Their status on 30 June 2022 is EUR 15 thousand higher than the balance as at 31 December 2021 due to the positive balance between the acquisition of 2022 allowances and their surrender to ARSO for CO₂ emissions for 2021.

The share of short-term assets in the structure of total assets increased by 1.4 percentage points compared to the end of the previous year and amounted to 55.7 %. In the structure of short-term assets, the most important categories of operating receivables together with other short-term assets (37 %) are inventories (36 %) and cash (27 %).

Inventories increased by 21 % compared to the situation at the end of 2021, while the inventories of material (taking into account advances) increased by 43 %, the value of inventories of work-in-progress increased by 15 % and the total value of inventories of finished products and merchandise of the company decreased by 34 % (compared to the situation at the end of 2021). The most important reason for the decrease in inventories of finished products is the increased volume sales of pigment.

Short-term financial liabilities as at 30 June 2022 have no balance.

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 2021, receivables increased by 61 %. Trade receivables from customers increased by 65 %, while other short-term receivables decreased by 4 %. An overview of the receivables from customers according to the 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.

Cash (and cash equivalents) represent 27 % of the total value of short-term assets, the volume of cash decreased by 40 % compared to the previous year due to the payment of dividends of EUR 24.9 million at the end of June 2022. The value of cash is mainly due to the excellent performance of the whole year.

Other short-term assets include deferred costs paid in advance. Their value decreased by 3 %.

2.4 Liabilities to sources of funds

Value of equity in liabilities structure as at 30 June 2022 represents 80.6 %, which is 2 percentage points more than at the end of 2021. The amount of equity increased by 3 % compared to the situation at the end of 2021. The increase (EUR 5.2 million) refers to the difference between the net profit in the first half of 2022 in the amount of EUR 30.1 million and the payment of dividends on 24 June 2022 in the amount of EUR 24.9 million. As at 30 June 2022, the company had 26,465 treasury shares (the company did not carry out the purchase of treasury shares in 2022). There were no other major movements in equity.

The amount of share capital within total equity stood at EUR 20,229,769.66 and comprises 807,977 ordinary freely transferable no-par value shares (of which 26,465 are treasury shares subscribed in the treasury shares fund). The book value of the share as at 30 June 2022 is EUR 241.8 (it increased by 2.7 % from the beginning of the year when it was EUR 235.4).

Provisions and long-term deferred income account for 9.4 % of liabilities to assets. Provisions for pensions and similar liabilities were established as at 1. 1. 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 few years, we have established the following additional environmental provisions: EUR 5 million in 2010 for the rehabilitation of the Bukovžlak solid waste landfill and EUR 7 and 5 million in 2011 for the rehabilitation of the Za Travnik 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 EUR 6.4 million. At the end of 2021, we reviewed the volume of provisions and properly designed them in relation to actual market conditions. The volume of environmental provisions decreased by 2 %, or EUR 329 thousand, in the period under review as a result of a dedicated increase and dedicated cost coverage of the above mentioned rehabilitation projects. Long-term deferred revenues increased by 7 %.

Financial and operating liabilities decreased by 9 % compared to the situation at the end of the previous year due to a reduction of 22 % in liabilities to suppliers from paid strategic deliveries and a reduction of other short-term liabilities by 1 % from taxes, contributions from liabilities to employees and income tax (liability to pay income tax for the financial year 2022 as at 30 June 2022 is higher than the balance at the end of 2021 by 7 %). All financial and operating liabilities are short-term. The company's gross debt ratio is 10 %, and compared to 31 December 2021, it decreased by 15 %.

Short-term financial liabilities as at 30 June 2022 amounted to EUR 29 thousand, which is 7 times less than at the end of 2021 (with EUR 198 thousand); the difference arises from reducing the assignment of our liabilities and receivables of our suppliers. The Company's financial debt ratio is thus 0.12 ‰ (at the end of 2021 it was 0.82 ‰).

Short-term operating liabilities decreased by 27 % in the period. On the last day of June 2022, short-term operating liabilities to suppliers amounted to EUR 14.7 million and decreased by 22 % compared to the end of 2021, due to paid liabilities related to purchases of strategic raw materials. Other operating liabilities decreased by 48 % (or by EUR 2.2 million), and mainly included EUR 1.3 million of liabilities for the payment of net wages and other net payments from the employment relationship, EUR 1.1 million of liabilities arising from contributions and taxes to and from personal income and VAT liabilities and to other institutions.

Other short-term liabilities increased by 153 % 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.

3 EMPLOYEES

As at 30 June 2022, 775 employees were employed in Cinkarna, which means that compared to the end of 2021 the number of employees decreased by 18, or 2.3 %. There are slight changes in the number of employees by business units.

The average number of employees in the first half of 2022 was 781, which is on average 27 employees, or 3.0 %, less than the average number of employees in the same period of 2021.

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, and strengthens the trust of employees in the company's management.

In the first half of 2022, communication was also given great attention by the company's management, business unit directors and the Workers Council through a whole 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, the company's magazine Cinkarnar – 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.

This year's 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, a telephone book and an overview of internal notifications.

In the field of social work, activities were carried out in 2022 in relation to the individual resolution of the problem of workers, the distribution of disabled workers, ergonomics, employee prevention and retirement of those employees who qualify for retirement.

The average number of employee absences from work in the first half of 2022 increased by 1.8 percentage points and amounted to 21.8 % compared to the previous year, mainly due to COVID-19 related sick leave, and a higher number of annual leave used in the current year in order to ensure the smooth operation of the Company (of which 7.2 % was due to sick leave, which represents 33 % of total absences, or 0.2 percentage points less than in the first half of 2021). At the Company level, the percentage of sickness benefits decreased by 2.7 % compared to the previous year.

4 THE COMPANY'S MOST IMPORTANT OPERATING RISKS

Cinkarna Celje, d. d., is a regional company operating in the international arena, and is therefore exposed to risks of an economic, social and environmental nature. In order to effectively identify risks (opportunities), evaluate them, prioritise them, manage and control them and report those risks, we have developed an integrated risk management system (SRM). It combines a range of subsystems and tools, and their coordinated operation ensures the functioning of the system regardless of the content of the processes and the hierarchical level of the organisational structure of the company.

Risks are identified and evaluated using a combined qualitative/quantitative method to determine the extent/impact potential and the probability of occurrence of an event. We combine individual risks in the following areas in a transparent manner, and we also use the allocation for external reporting:

- I. Sales risks;
- II. Production risks;
- III. Financial risks;
- IV. Risks of spatial and environmental legislation;
- V. HR and organisational risks.

The process or functioning of the SRM is continuous, and reporting to the external public is carried out every 3 months, within the framework of regular legal reporting. The SRM is disclosed in detail in the Annual Report. 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 risks

Product sales risk	Probability of occurrence	Amount of damage
	Moderate	Moderate
Definition	The risk is associated with the possibility and ability of successfully selling products on target markets. It relates to the increasing negotiation power of buyers, conjunctural (in)stability of markets, growing power of competitors (on account of capital concentrations) and the suitability of the elements of our own marketing mix (price, product, market, promotion). The problem of increasing production capacity in China is turning into a long-term trend, which will have a significant impact on the structure of the industry also in the longer term. Sales of the carrier product are also partly affected by the change in consumer habits resulting from the epidemic. In the current Ukraine-Russia conflict, there is a risk of a change in European consumer habits/sentiment.	
Management	The risk is mitigated by the expansion of the sales network, diversification of the production and sales portfolio, introduction of new and shortening of existing sales channels, development of marketing partnerships, and development of new products that allow entry to new markets and industries. In the last few years, we have been actively reducing the product sales risk by optimisation of the sales portfolio with the exclusion of products with a high market risk. By way of target-oriented technological investments, we are focusing our sales portfolio on applications and markets of a more demanding nature with a higher quality that represent a shift from the commodities markets, characteristic of which is lower added value and high exposure to Chinese pigment at favourable prices. 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. The risk is managed through strategic development and maintenance of the so-called compensation markets (USA, Near/Middle East) where we can direct any surplus of quantities, taking into account their current profitability and currency ratio.	
Purchasing risks related to raw materials and energy	Probability of occurrence	Amount of damage
	High	High
Definition	The Company is highly dependent on the purchase of quality and appropriately priced raw materials and energy. These are mostly standardised raw materials of a global character (which are often traded on organised markets): titanium-bearing raw materials, copper, zinc and sulphur. The negotiating power of suppliers is high (and is rising). In the long-term, the risk is considerable in terms of prices and also availability. We estimate that the current market situation in the field of titanium-bearing raw materials is relatively stable. The risk in the area of energy products (gas and electricity) is great and important both in the short-term and long-term due to extraordinary volatility and price movements and due to the long-term objective limitation of resources. In addition, there is also a	

	risk of non-supply of Russian natural gas. The risks of price volatility in the procurement of raw materials are increasing the cost price of which is largely linked to energy costs. The ban on cooperation with Russian-owned refineries increases the risk of sulphur unavailability.	
Management	We manage the risk by searching for and evaluating alternative raw material sources (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 in regular contact with suppliers with whom we do not cooperate operationally, but which could be a solid alternative. We are developing infrastructure, information systems, technologies and products so as to limit the use of critical raw materials, reduce dependence on individual suppliers and limit the volatility of purchasing prices. Where possible, we conclude long-term purchasing agreements, use various hedging systems, balance the structure of consumption of individual energy products, implement energy management and continuous measures/projects aimed at optimising energy consumption. We include targets for the specific consumption of raw materials and energy products into the Integrated Management System. We are currently working on a project to minimise the risk of non-supply of natural gas.	
Risk of macroeconomic conditions in target economic environments	Probability of occurrence	Amount of damage
	Moderate	Moderate
Definition	Considering that the Company is not limited geographically, it is exposed to the risk of changes in regional and global macroeconomic conditions, political/security conditions and even damaging climate events. The majority of negative consequences cannot be estimated. The general risk of the macroeconomic condition is certainly present at the moment, but we believe that we are sufficiently well prepared for any further deterioration. Extreme prudence and attention are still in place due to the escalation of relationships between Russia and the West, the complicated security situation in the Near/Middle East, and the impact of the ongoing epidemic on the wider economy.	
Management	We manage the risk by focusing on relatively safe and stable markets within the EU+ (more than 80% of sales), while sales outside the borders of the EU+ are distributed over a broad portfolio of markets such as: the USA, Near/Middle and Far East. We develop a balanced sales structure from the point of view of risks & returns. An important element of the strategy for the management of this risk is flexibility in directing sales to different geographic markets. We consequently maintain an optimum scope of the so-called compensation markets. In doing so, we regularly monitor macroeconomic forecasts and projections and adjust our business policy accordingly. We monitor developments in each partner country closely and evaluate and adapt our business decisions with our local partners. We mitigate manageable risks strategically (e.g. financial risks) in order to enhance the compensation ability in objective risks of the global economic environment.	
Market risks associated with climate	Probability of occurrence	Amount of damage
	Low	High
Definition	Our industry and the end markets on which we sell our products occasionally experience technological changes and product improvements and changes in the direction of product regulation. Our future growth will depend on our ability to assess the direction of commercial and technological progress in key end-use markets, the ability to finance and successfully develop, produce and market products in changing end-use markets, including markets that offer solutions to address global challenges, such as energy efficiency and climate change.	
Management	We continue to invest in research and development to develop safer, cleaner and more efficient products and processes that help our customers and consumers reduce both greenhouse gas emissions and their overall environmental footprint. We work closely with our business partners to develop products that help us achieve sustainable goals and maintain our market position. We value our cooperation in promoting change and commit to working with policy makers, with our value chain and other organisations to promote collective action to reduce greenhouse gases. Each business segment of the Company performs assessments of the impact of market trends, integrates findings into the development of a business strategy, and reports impacts to the company's risk management team as appropriate depending on the extent and likelihood of the impact.	

II. Production risks

Risks of availability of the means of work	Probability of occurrence	Amount of damage
	High	Low
Definition	Cinkarna Celje, d. d., is a capital-intensive company and a processing industry with a high share of continuous processes. From the point of view of loading and wear of the means of work, the conditions are mostly unfavourable (chemically aggressive substance, high temperatures, pressure, etc.)	
Management	The risk is mitigated through a professionally elaborated and excellently organised preventative and curative maintenance system. Special attention is placed on preventative maintenance, which implies excellent technical diagnostics. We ensure operational safety through integrated spare devices at critical points.	

Risk of accident, fire, uncontrolled substance release into the environment and accidents at work	Probability of occurrence	Amount of damage
	Low	High
Definition	The chemical processing and metallurgical industry implies the risk of the occurrence of such accidents.	
Management	<p>The risk is managed through systematic evaluation of environmental and employee impacts, periodic assessments of fire threats and job systematisation in line with risk assessment. In the area of environmental impact mitigation, we have systematically introduced European environmental standards through the implementation of the principles of the 'Responsible Action Programme' and alignment of our activities with the requirements of the IED and SEVESO directives. We implement our processes by observing the 'best available technique' (BAT) principle. As regards fire safety, we have organised our own firefighting unit, and the Company also holds adequate fire insurance. As concerns accidents at work, we have established a service that controls compliance with rules and measures for safety and health at work. We provide regular education and training for employees. The Company holds liability insurance. We conclude written agreements with external contractors and provide them with training. We have 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. We have had the ISO 14001 environmental management system and the ISO 45001 safety and health management system in place since 2009, both of which are certified and supervised by an authorised institution.</p> <p>A part of the Company also certifies compliance with environmental regulations by registering in the EMAS register kept by the Ministry of the Environment and Spatial Planning. We have performed an assessment of hazards and prepared a protection and rescue plan. We identify and eliminate process risks for the environment, safety and health through an annual framework and implementation goals. We carry out evacuation drills in line with the programme.</p> <p>In 2020, we revised the concept of environmental risk in accordance with the Seveso directive, and in early 2021 we got a decision confirming the adequacy of the revision work carried out. As part of the project task, we have established a register of the necessary measures, based on a new design, thus ensuring systematic implementation.</p> <p>We are currently implementing a comprehensive rehabilitation of the Bukovžlak non-hazardous waste landfill, thus reducing the possibility of accidents in this area.</p>	

III. Financial risks

Currency risk	Probability of occurrence	Amount of damage
	Low	Low
Definition	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 Euro, exposure is worrying especially in dollar-denominated purchasing of titanium-bearing ores and occasionally also copper compounds.	
Management	We are continuously monitoring changes and forecasts in relation to the dynamics of the EUR/USD currency pair. Based on market data and the prices of financial instruments (hedging costs), we define the strategy for hedging cash flows (method and extent) on an ongoing basis. In essence, the risk of adverse changes in the dollar exchange rate is limited in two ways. We cover part of the exposure by operational hedging, i.e. exchange rate coordination of sales and purchases, and we systematically limit the risk of short-term fluctuations using short-term financial instruments (especially dollar futures).	
Credit risk	Probability of occurrence	Amount of damage
	Moderate	Low
Definition	This is the risk of potential non-fulfilment of contractual obligations on the part of buyers, meaning that buyers are in delay with payments or default on their past-due liabilities. 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. During the few last years, we have noticed that payment discipline is relatively poor in Slovenia, the Balkans and Eastern Europe, but we do not expect further deterioration of problems in this area in the future. Exposure to credit risk has decreased significantly by reorganising the portfolio of the Company's strategic business areas, specifically by abolishing the product lines of graphic intermediate goods, titanium-zinc sheets, anti-corrosion coatings and construction compounds. As concerns credit risks we should point to the consequences of the unclear outcome of the epidemic and of the associated changes in consumer habits.	
Management	The risk is mitigated by the development of long-term partnerships, checking of ratings of new domestic and international buyers, selection of reliable buyers, and regular monitoring and verification of the business health of our buyers. We use the credit limit system, which limits	

systematically potential damages. We also have a department with adequate IT infrastructure organised for the dynamic monitoring of maturity of outstanding receivables, balance of overdue receivables and their collection. When it comes to mediation, court and out-of-court recovery of receivables, we cooperate with external providers of such services. We make use of payment security instruments (collateralisation of receivables, advance payment, bills of exchange, documentary letter of credit, bank guarantee or documentary collections) in individual cases.

IV. Environmental, spatial and legislative risks

Rehabilitation of the Bukovžlak non-hazardous waste landfill	Probability of occurrence	Amount of damage
	Low	High
Definition	<p>In the last quarter of 2010, the Management Board of the Company adopted the decision not to include the Bukovžlak non-hazardous waste landfill in the application for the environmental permit because of the high financial burdens and limited availability/capacity of the landfill and for the landfill closure procedure to be commenced immediately.</p> <p>An overall rehabilitation is needed for long-term safety and the minimisation of environmental impacts.</p>	
Management	<p>In 2010, the Company formed environmental provisions in the amount of EUR 5 million that was debited against operating results. We have obtained the environmental permit for the period of closing down the landfill (30 years).</p> <p>We finished the first phase of comprehensive rehabilitation in 2016 and 2017, strengthening of the barrier.</p> <p>Further works on project documentation revealed a need for additional interventions not anticipated at the time of establishing provisions in 2010, thus we established additional provisions of EUR 782,563 at the end of 2017.</p> <p>In line with the integral permit, in June 2020, we started the implementation of the remaining phases of the comprehensive rehabilitation (cover, drainage of backwaters, central and western drainage, diversion dam). From the view of risk management, we completed the most demanding operation (construction of the J20 shaft) before the end of 2020.</p> <p>Interim studies have shown the need for additional rehabilitation work in the area of drainage C1, which, while draining the high barrier of Bukovžlak, runs along the border of the ONOB, and the construction of a sealing curtain in the north-east of the ONOB to prevent the spread of contaminated groundwater into the lower-lying areas. At the end of 2021, the prices of materials and services also increased. For the purpose of covering the above additional rehabilitation work and the expected cost increase, an additional provision of EUR 3,452,592.32 was created in the business result for 2021.</p> <p>We created a trial field for drainage C1. The project to carry out the entire drainage is at the construction stage. The beginning of the work is planned in the last quarter of this year.</p> <p>Due to additional design and implementation work on drainage C1 and sealing curtains, the total rehabilitation is extended at least to 2024.</p>	
Availability of the Za Travnik waste disposal plant	Probability of occurrence	Amount of damage
	Low	High
Definition	<p>The time to dry backfilling of the Za Travnik waste disposal plant is limited. It depends on available volume, pigment production quantity and by-product quantity. The backfilling of the waste disposal plant means that titanium dioxide production has stopped.</p>	
Management	<p>We produce the maximum amount of CEGIPS possible, thus reducing the amount of red gypsum for disposal.</p> <p>The acquired integral permit for the rehabilitation of the Bukovžlak non-hazardous waste landfill endorses the use of red gypsum for the construction of an airtight cover and the setting up of a diversion dam.</p> <p>We have revised the project for backfilling red gypsum into the Za Travnik waste disposal plant, the aim of which is to optimise backfilling (more natural settlements). Given the changed conditions (increased removal of white gypsum, different crystal structure, settlements), we have prepared a new estimate of the available backfilling volumes.</p> <p>The time to backfilling is being prolonged by way of all these measures. Based on Article 9 of the decree on the construction plan for the Za Travnik landfill in the Municipality of Šentjur, we have initiated the process of amending the construction plan for the Za Travnik landfill. The documentation for the submission of the initiative is under way. At the same time, we are looking for ways to reduce the dependence of production on the available backfilling volumes.</p>	

Ensuring the stability of barriers	Probability of occurrence	Amount of damage
	Low	High
Definition	Barriers represent a hazard in case of a collapse. The latter could mainly occur in the event of a powerful earthquake.	
Management	<p>We carry out the prescribed monitoring that is analysed once a year by experts from the Faculty of Civil and Geodetic Engineering of the University of Ljubljana. We observe all recommendations by concurrent maintenance. Projects of the break wave have been developed.</p> <p>Za Travnik high barrier We have amended the network for technical monitoring at the Za Travnik barrier and renovated the primary and secondary geodetic monitoring network. We plan additional security and drainage measures on the east side. Based on data from new monitoring wells, we will order the preparation of the water balance for any necessary measures on the west slope of the barrier. Due to the improved situation following rehabilitation works in previous years, we have reversed environmental provisions to EUR 450,000 based on an expert assessment of the still necessary works. According to the revision of the necessary works, costs of materials and services, we have increased the provision by EUR 15,921.41, debited against the operating results in 2021. The detailed design to implement the measures has been commissioned. In 2022, we have increased the reservation by EUR 59,144.</p> <p>Bukovžlak high barrier We perform regular maintenance on the Bukovžlak high barrier for red gypsum. At the end of 2017, we established EUR 3 million of provisions for more comprehensive rehabilitation of this barrier.</p> <p>In 2018, we made new monitoring wells on the east side of the barrier, where monitoring started in 2019. On the basis of the data obtained we will formulate a plan for the rehabilitation measure. In line with previous knowledge, and taking into account the rise in prices of materials and services, we have carried out a revision of the necessary funds. In accordance with the result of the revision, we created an environmental provision amounting to EUR 232,700.00 for this location, debited against operating results in 2021.</p> <p>A concept project for lowering the lake water level that would contribute significantly to the safety of the barrier was prepared. We improvised noise reduction to obtain data for further work. The seismic observation of the high barrier Bukovžlak is in regular operation. A detailed plan has been ordered for the lowering of the overflow bed, the discharge ditch and the measuring point.</p> <p>The ONOB Barrier Rehabilitation of the Bukovžlak non-hazardous waste landfill (ONOB) barrier was carried out in 2016 and 2017. Complete rehabilitation of the entire landfill, which began in June 2020, will further improve the stability of the barrier in the long run. Details are given under the risks of ONOB rehabilitation.</p>	
Environmental due diligence – phase II	Probability of occurrence	Amount of damage
	Low	Moderate
Definition	The results of the environmental due diligence – phase II revealed that the current production location in Celje is built on waste from past activities. Deposited waste has an impact on groundwater, which can affect human health and the environment.	
Management	<p>We implemented several simultaneous activities to define the potential impact on human health and the environment and promptly informed the public of the results. We prepared a comparison between the requirements of the Slovenian, German and Dutch legislation and a summary of the work done, and submitted the documents to the Ministry of the Environment and Spatial Planning. In its reply, the Ministry stated that the current environmental legislation does not prescribe any measures, therefore Cinkarna can prepare the measures itself.</p> <p>In view of the above, the Management Board commissioned a revision of the legal opinion. It also commissioned the company CDM Smith to prepare a proposal for technically feasible rehabilitation measures with a feasibility assessment for one of the most polluted areas of the current production site. The proposed measures do not give the expected result in terms of the input, so we looked for another option - cleaning the polluted groundwater at the existing waste acid neutralisation treatment plant. We are preparing an application for the implementation of pumping wells.</p>	
Possibility of process water shortage	Probability of occurrence	Amount of damage
	High	High
Definition	During the dry months, due to a too low ecologically acceptable flow, it is possible that the supply of process water is interrupted.	
Management	<p>We carry out continuous measurements of flow and quantity of pumping in accordance with the legislative requirement.</p> <p>We have obtained a water permit from the Slovenian Infrastructure Agency, which determines the ecologically acceptable flow in two periods – dry and wet.</p>	

	<p>Given the lengthy nature of the procedure with an unpredictable outcome, we undertook the task of examining the provision of process water from other sources in 2020. The terms of reference showed that the existing reservoirs, the lake Šmartinsko jezero and the lake Slivniško jezero, are not a viable solution due to other purposes of use, environmental requirements and inadequate capacities. The construction of reservoirs is not an economically reasonable solution.</p> <p>During the collection of initiatives for the preparation of the Water Management Plan for the next period, we submitted an initiative to the Ministry of the Environment and Spatial Planning to transform this part of the water body into a heavily modified water body (HMWB), which is subject to different conditions for determining the ecologically acceptable flow. The Ministry of the Environment and Spatial Planning rejected the initiative as an inappropriate option.</p> <p>In view of the rejection of the above initiative, we have prepared a conceptual project for the use of water from KČN Tremerje. The following is a one-year pilot experiment to determine the effect of the selected cleaning technique.</p> <p>We are preparing a plan of temporary emergency water supply, which would allow at least a reduced production volume.</p>	
Legal risks associated with climate	Probability of occurrence	Amount of damage
	Moderate	High
Definition	<p>Our operations and production units are subject to extensive environmental, health and safety laws, regulations and enforcement at the national, international and local level, in many jurisdictions regarding pollution, environmental protection, climate change, transportation and storage of raw materials and finished products. Cinkarna, as an energy and emission-intensive company, can be subject to current and emerging regulations aimed at energy use and efficiency and emission reduction. Such regulations could lead to significant additional compliance costs, including increased costs of purchased energy, additional capital charges for the installation or modification of equipment causing greenhouse gas emissions and/or additional direct costs related to greenhouse gas emissions (CO₂ allowances). Our business results could be negatively affected by litigation and other obligations and unforeseen events. As a public company, Cinkarna must disclose detailed financial reports in line with applicable legislation and standards, which also include descriptions of the material risks.</p>	
Management	<p>Cinkarna has established processes with various departments and organisational units to monitor regulations and provide inputs to address the risk management process in the company. Legal risks and possible litigation shall be closely monitored and managed in relation to the provision of transparent and consistent information to shareholders, including those matters that may be relevant and related to climate change.</p>	
Technological risks associated with climate	Probability of occurrence	Amount of damage
	Moderate	High
Definition	<p>Our industry and the end markets on which we sell our products occasionally experience technological changes and product improvements. Our future growth will depend on our ability to assess the direction of commercial and technological progress in key end-use markets, the ability to finance and successfully develop, produce and market products in these changing end-use markets. Failure to follow evolving technological innovations, including innovations related to the development of alternative uses for or use of developed products that use such end-use products, may negatively affect our financial situation and performance. Technology is extremely important for the company's ability to cope with the risks associated with climate change. The company has mature, large capital-intensive assets that are energy- and emission-intensive. In most of these technologies, there is little innovation, which makes technological change a challenge. Alternatives to reduce emissions, such as carbon capture and storage, utilisation or process electrification, are cost prohibitive and largely unproven at this point.</p>	
Management	<p>The company is constantly looking for new technologies, assessing and considering market and technological trends to reduce emissions and to identify opportunities to improve product characteristics and/or develop new product offerings that also address climate risks. It is important to be aware of current effective technologies and future technological trends that can be adopted to help manage climate-related risks. The company has processes in place to track evolving technological trends.</p>	
Risk of reputation damage	Probability of occurrence	Amount of damage
	Low	High
Definition	<p>Stakeholders expect us to act responsibly and proactively address the challenges of climate change. Some large investors are becoming increasingly outspoken about the risks of climate change to the financial market. If investors or sustainability-oriented customers perceive that Cinkarna's business activities are not aligned with the growing global momentum for action against climate change, this could represent a risk to the company's reputation, which could lead to discontinuance and lower sales and reduced market value. This aspect of our reputation could also be important from the point of view of the employer's brand, as it affects our ability to attract and retain new, especially young, employees.</p>	

Management	The company has established processes by departments and individuals in charge of investor relations, the environment, health and safety, marketing, product sustainability and recruitment to collect feedback from stakeholders and provide feedback to address the risk management process in the company. Reputation risk is one of our assessment criteria in our corporate risk management process, which is used to assess whether or not the risk is high for the company. The recent commitment to solar power generation contributes to climate change mitigation and helps reduce reputation risks.	
Acute physical risks associated with climate	Probability of occurrence	Amount of damage
	Low	High
Definition	The company operates 5 production units in Slovenia, which are not prone to the acute physical effects of climate change. Changes in physical climate parameters can lead to extreme weather conditions that would pose a risk to our production capacities and supply chains in the future.	
Management	Our crisis management and business continuity plan and emergency preparedness plans describe in detail the actions to be taken in the event of natural disasters or extreme weather conditions.	
Chronic physical risks associated with climate	Probability of occurrence	Amount of damage
	Moderate	High
Definition	Production processes depend on a sufficient amount of quality water for production and cooling purposes. The supply of strategic raw materials (titanium-bearing raw materials) is transoceanic. Production units can be affected by the chronic effects of climate change such as drought, a rise/fall in water levels, temperature rise and changing precipitation patterns.	
Management	The company has processes in place across departments and individuals to monitor evolving water supply issues and/or the potential chronic effects of climate change and to provide information for consideration in the company's risk management process.	

V. HR and organisational risks

Ensuring continuity of human resources	Probability of occurrence	Amount of damage
	Low	Moderate
Definition	The nature of the Company's operations is inherently complex and specific as it operates in several industries that are not interrelated and at the same time supplies products to end users from very different industrial areas. Consequently, it is exposed to the risk related to networking and interactions and, above all, the transfer of its managerial, engineering and supporting know-how. These risks are related both to the HR structure and the system of continuous learning and transfer of acquired knowledge and information through communications paths and structures. Human resources risks are also recognised in: the restrictive effect of the high average age of employees, inadequate education and qualifications of employees, the fall in operational capacity due to the high number of disabled people, increased absence from work, the negative consequences of injuries and accidents at work and the lack of an adequate labour force on the market.	
Management	We are training and preparing responsible successors for the key functions at all levels of the Company's organisational structure through a target-oriented programme. We ensure adequate information flow for the key managerial and expert fields in all phases of operations of organisational units through constant communications informing and harmonised actions of all key employees. Successors actively participate in, and are closely familiarised with, actions and issues related to ensuring uninterrupted operations of business functions and processes. In cooperation with support services we thus ensure the undisturbed takeover of the Company's key functions in case of foreseeable and also extraordinary events (illness or longer period of absence, resignations and retirements). We are continuing our productive employment policy and reducing the percentage of our unskilled labour force. By investing in the development and education of employees, we improve the skills of our employees. We have implemented a system of identifying potential hazards and taking action in the event of near misses.	
Ensuring the smooth operation of the Company during the COVID-19 pandemic	Probability of occurrence	Amount of damage
	High	High
Definition	During the global COVID-19 pandemic, and the consequent outbreak of the virus also in Slovenia, the Company's internal environment was exposed to a large number of people, both employees and external contractors. In the event of a virus infection, this presents a risk to the smooth operation of individual production organisational units within the Company. The system of adopting a set of measures and internal testing of employees ensures the stability and reliability of human resources in the time of threats posed by the COVID-19 pandemic.	

Management	<p>In many areas of the operational and organisational structure of the Company, we used a number of measures, protocols and channels for targeted communication with employees to ensure the smooth operation of the Company. We restricted or minimised contacts with external partners and contractors, adjusted our internal processes in such a way as to ensure the minimum number of employees required in the workplace, adjusted shift work, limited contacts during shift changes, arranged for a certain reserve of critical crews of workers, introduced instruments for work reassignment and work from home, adjusted our canteen service, established protocols for online communication, prohibited the gathering of people and established a system of self-supply with disinfectants and protective masks, while ensuring external procurement of personal protective equipment, taking into account all measures taken by the Slovenian Government and the National Institute of Public Health. We established an internal testing system with rapid antigen tests and promptly informed employees of the measures and protocols in force within the Company. With these measures, we ensured the uninterrupted operation of the Company in the event of infections, possible quarantines and the self-isolation of employees.</p>	
Risks associated with the policy of respect for human rights	Probability of occurrence	Amount of damage
	Low	High
Definition	<p>In the event of non-compliance with the policy of respect for human rights, the company risks its reputation, the adverse attitude of the public and stakeholders, loss of business, legal proceedings and a low organisational climate.</p>	
Management	<p>We are committed to tolerance, mutual respect and respect for basic human rights. We reject any form of ill-treatment, harassment or discrimination. We act ethically and professionally and in accordance with the values of the Company. Employment and recruitment are based on the principle of non-discrimination and equal opportunities. Personal data is protected in accordance with applicable law. We respect the right to join labour organisations and ensure dialogue between the social partners. In case of detection of illegal or unethical practices, we have in place appropriate procedures or activities. The company has adopted the Rules on the prohibition of sexual and other harassment and ill-treatment in the workplace. The company has a designated representative for receiving reports, assistance and information.</p>	
Risks associated with anti-corruption and bribery policies	Probability of occurrence	Amount of damage
	Low	High
Definition	<p>In the event of non-compliance with the anti-corruption and bribery policy, the company risks its reputation, the adverse attitude of the public and stakeholders, loss of business, legal proceedings and a low organisational climate.</p>	
Management	<p>When making business decisions, and all actions on behalf of the company, employees consider the best 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. Donations and sponsorships are carried out exclusively in accordance with the mission, vision and values of the Company, mainly in the field of sport and culture. Appropriate and expected conduct is defined by a code of ethical conduct and work. A mechanism has been established for the disclosure or reporting of potential inadmissible practices.</p>	

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 807,977 ordinary freely transferable no-par value shares. At the end the period, the Company has 26,465 treasury shares in its portfolio (or 3.28 % of the total issue). The number of shareholders at the end of the relevant period is 2,085. 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	%
Modra zavarovalnica, d.d	162,963	20.17
DUTB, d. d	104,504	12.93
SDH, d.d	92,950	11.50
UNICREDIT BANK AUSTRIA AG – FID	36,570	4.53
TR5 d.o.o	28,017	3.47
Treasury shares	26,465	3.28
RAIFFEISEN BANK AUSTRIA D.D. - FID	18,359	2.27
KRITNI SKLAD PRVEGA POKOJNINSKEGA SKLADA	16,705	2.07
CITIBANK N.A. – FID	10,610	1.31
NLB SKLADI - SLOVENIJA MEŠANI	9,342	1.16
Generali Galileo, mixed flexible	9,119	1.13
Internal shareholders – FO	6,259	0.77
External shareholders – FO	168,952	20.91
Others	117,162	14.50

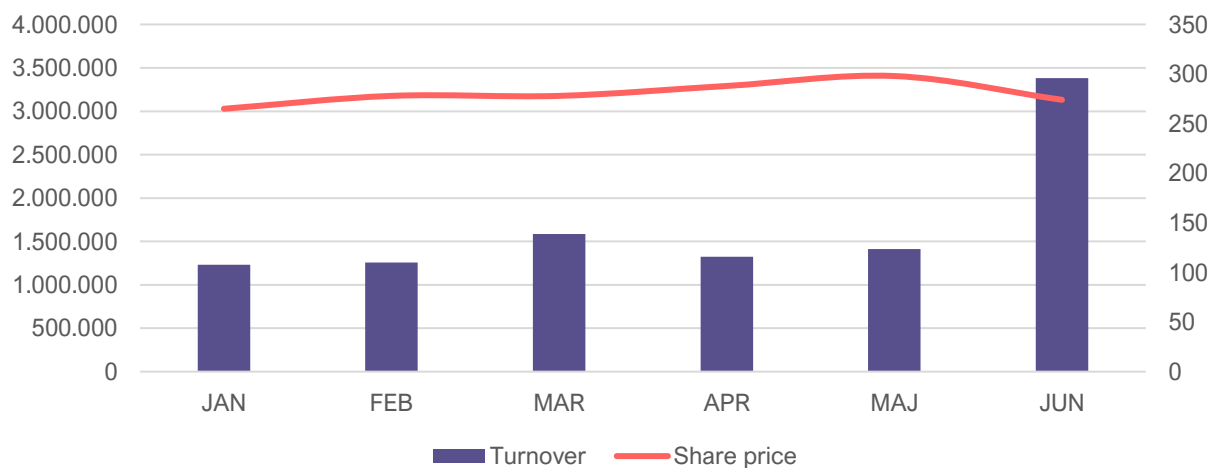
5.2 Trading in shares

Trading in Cinkarna shares, labelled CICG, 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.

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

	Price		Turnover
	Year 2021	Year 2022	Year 2022
JAN	186	265	1,231,506
FEB	200	244	1,257,656
MAR	206	278	1,585,006
APR	215	288	1,324,110
MAY	232	298	1,410,706
JUNE	229	274	3,381,204
JULY	233		
AUG	248		
SEP	238		
OCT	240		
NOV	259		
DEC	259		

Share price movements (right axis) and stock turnover (left axis) by months 2022



The value of the share of Cinkarna Celje, d.d., listed in the first quotation of the Ljubljana Stock Exchange (with the code CICG) fluctuated between 237 €/share and 320 €/share during the period under examination. From the last trading day in 2021 to the last trading day of the period under examination, the share value rose by 5 %.

6 DEVELOPMENT FOUNDATIONS

6.1 Investments

In the first half of the year we spent EUR 3.6 million on investments, the purchase of fixed assets and replacement equipment, and environmental investments, which represents 26 % of the planned funds for 2022.

Deviations from the plan are the largest in the area of investment, where realisation in 16.1 % is achieved. For larger planned investments, the first part of the year is mainly dedicated to pilot testing, defining requirements, collecting offers and their technical and commercial coordination, so the invested part is usually disproportionate in this period. For replacement equipment, the realisation is 44.3 %. We follow this plan much more closely because of the strong extension of delivery times. The lack of material supplies can seriously jeopardise our operations. In the field of acquisition of fixed assets, we achieved a realisation of 19.3 %. The reason for less than a quarter of the plan being achieved is similar to that of investments.

As usual, in this year the largest share of the invested funds was spent for the production of titanium dioxide to continue the activities as part of the multi-annual project.

We completed the implementation of the third line for the 2nd stage of acidic effluents neutralisation. We ordered an additional sand mill to grind the calcite after wetting. We are carrying out preparatory work for installation.

Planned work on the implementation of anti-dust measures in the production of titanium dioxide is also underway.

We also performed investment works on the rehabilitation of individual facilities (facility for operational maintenance of TiO₂ – phase III, replacement of windows in the production of powdered coatings in the KM BU).

The majority of funds planned to be used from environmental provisions (16.1 %) were spent on the rehabilitation of the Bukovžlak non-hazardous waste landfill. We carried out a test field for a new drainage C1 under the Bukovžlak high barrier. After the acquired expert report, the design phase of the entire drainage line follows.

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 ones in the following.

Sustainable development and circular economy

Described in more detail in the Environmental Management section.

Diversification of production programmes

We process in more detail the possibilities of producing LFP batteries, medical devices from PTFE and the possibility of using the knowledge gained in this task in the field of parts for fuel cells.

The determination of the maximum possible production volume of titanium dioxide

The content and organisation of the project task is formed. The breakdown of individual limiting factors and the definition of possible ways to manage them takes place. Model calculations were made to identify bottlenecks at different capacity levels, as well as an emissions projection. The necessary equipment is placed in the existing plans and, at the same time, a cost table is drawn up.

Development of products based on nano TiO₂

We obtained competitive coatings and made a market analysis of shares, prices and applications of antimicrobial coatings (S/F). Testing of competitive coatings and negotiations with potential partners for the development and use of the S/F coating is underway.

Development of the copper hydroxide synthesis process

Copper hydroxide is one of the planned new products in our range of copper-based plant protection products. Laboratory-scale synthesis experiments are underway.

Development of a thin-layer dispersion coating resistant to chemical influences and suitable for Ex areas

We do not have this type of coating in the production of fluorinated thermoplastics, but the market is showing the need for it. The aim is to introduce the appropriate type of dispersion into production, thereby increasing the volume of supply and sales. We have obtained information on the type of appropriate coating. It is also necessary to adjust the thickness of the coating.

Development of powdery coatings

Development of powdery coatings with an increased ability of degassing. The need is expressed on previously hot-dip galvanized elements. The powdery coating of the appropriate quality is developed, and the sample is being tested by the client.

Development of masterbatches

In line with the new trends in the field of plastic use, we want to develop a masterbatch based on a biopolymer that will allow the biodegradability of polymer products. We produced a masterbatch on a bio-polymer basis with a high content of TiO₂. The product is ready for certification.

Currently, we only produce masterbatches for internal use. This year, we will also develop a masterbatch for outdoor use. We obtained a competitive UV stable sample of TiO₂, but our own experimental production of such pigment has not yet been implemented.

Comprehensive management of water from titanium dioxide production

In the laboratory, we prepared a large amount of barium sulphate for test samples in customer applications. First responses to quality are positive.

Activities are in progress to carry out the return of overflow waters from the Bukovžlak lake for water reuse in production.

Pilot experiments on the implementation of reverse osmosis with recycling on waste water after the condensation of flue gases from ore digestion are underway.

6.3 Quality assurance

We have prepared an annual internal audit plan and have already started to implement it. 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 2022 at the end of May. They recorded one minor discrepancy, which we immediately eliminated, and made some recommendations for improvement.

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

We continue working on a project aimed at introducing new qualities of titanium dioxide. According to the planned sequence, we carry out optimisations on individual production processes, which should contribute to higher quality of our pigments. The main goal for this year is to stabilise the quality parameters at the required levels, occasionally already achieved in the previous year.

The broader framework of ensuring the quality of the Company's operations also encompasses the project of formulating a business continuity plan. The task stalled in 2021. With a new carrier, activities will begin again in the second half of the year.

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 system for collection of useful suggestions, CC UM, resulted in 0.1 improvement per employee in the first half of the year.

6.4 Environmental management

In the field of the environment, we have three sets of indicative targets in 2022. They aim to eliminate environmental risks, sustainable development and regulatory compliance.

I. Measures to address environmental risks

Measures to address the old burdens at the company's location are continuing. The measures envisaged were presented to the Slovenian Infrastructure Agency. Additional data is required to prepare the application, which will be prepared as part of the cooperation with the CDM. We're waiting for an offer.

Work is ongoing on the rehabilitation of the Bukovžlak landfill of non-hazardous waste, including new drainage C1 under the Bukovžlak high barrier. Some work is late. We are awaiting the results of the research.

We carry out detailed monitoring of the condition of the Bukovžlak waste disposal plant due to the flow of the filtrate from the gypsum filtration plant.

We are building a washing platform for trucks and upgrading the anti-dust measures on the Za Travnik waste disposal plant.

The storage space for adhesives in the Polymers BU was arranged, thus eliminating the identified risks to the environment.

II. Sustainable development and circular economy

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

1) Use of renewable resources

Installation of additional solar power plants (last year we set up two solar power plants at a total rated power of 1.5 MWp) with a total production of 3.5 MWp of electricity – the supplier SE is selected for the additional 2 MWp, implementation activities are underway.

In the task "Selection and realisation of the technique for the use of waste heat on S acid", the external contractor carried out measurements and prepared a conceptual project of possible measures.

In the objective "Making a conceptual project for the use of waste heat of flue gases after calcination", a conceptual breakdown for the use of heat in acid reconcentration is prepared.

2) Carbon footprint

In order to better manage and plan measures to reduce emissions and costs, we are preparing the basis for the calculation of the carbon footprint for the production of copper oxychloride (Chemistry Celje BU), for 5 white and 5 colour powdered coatings and for 5 white and 5 colour masterbatches (Chemistry Mozirje BU). The Chemistry Mozirje BU conducted data verification to ensure sustainable purchasing and defined the classification according to certain indicators for the purchase of individual strategic raw materials.

The possibility of using CO₂ from neutralisation in the production of titanium dioxide is being checked both inside and outside the company.

3) Energy efficiency

We selected a contractor and ordered the production of energy and mass balance of titanium dioxide production and determined the potential for reducing specific energy consumption. Data is prepared for individual processes and bases by making calculations. Solutions for performing batch processes depending on the availability of steam from acid production are also being sought.

We carried out the first part of the activity to increase the flow of the steam line and thus the possibility of increased steam use.

We have worked out technical details for the purchase and replacement of dry transformers in TP 7-10 neutralisation and sent requests to potential contractors for the preparation of offers.

In addition, we replaced five old electric motors with energy-efficient ones.

We carried out the replacement of the worn-out lighting with a more economical one in the KC BU, replacement in the Polymers BU is still underway. We replaced the windows on the PL facility in the Chemistry Mozirje BU.

4) Amount of waste

We are implementing measures to achieve the target ratio of dry gypsum per ton of calcite produced. Activities are underway to reduce the amount of organic waste generated by food preparation (food waste).

5) Reuse of materials

The idea project of an alternative supply option for process water from KČN Tremerje has been developed, as well as a project for the placement of the pipeline with a cost estimation.

In the project of processing copper coating from fishing nets, we obtained samples of ash from the manufacturer and performed laboratory tests of dissolution. We also successfully conducted an industrial experiment.

In processing for reuse, elements of the Schnackenberg system are removed during the overhaul at the digestion of the ore and the Venturi scrubber in the process of cleaning the flue gases after calcination.

With the help of an external partner, we are developing a process of processing 23 % sulphuric (IV) acid waste. Offers for base engineering and the placement of equipment in the acid reconcentration room are collected. The results are encouraging so far.

In the framework of the project of comprehensive water management, activities are carried out for additional water recycling, the thickening of gypsum suspension and the production of a technological project for the production of BaSO₄ (removal of sulphates from wastewater and reuse).

Activities are being carried out for the consumption/installation of powdered coatings waste dust.

The Polymers BU is introducing a system for servicing the worn-out ball valves at the customers' locations.

6) Reducing emissions to the working and external environment

With the upgrade, we have increased the efficiency of the treatment plant for the melting of sulphur. The input material is changing very much, so we are looking for additional options for optimising the operation of the plant.

Static placement of dust filters is taking place within the project to reduce dust sources in the production of titanium dioxide. Activities are underway to obtain a building permit.

7) Supporting social activities in the local community

We pursue the goal with targeted sponsorship and donations mainly in the local environment. The amount of funds is at the level of the same period last year.

III. Maintaining/ensuring legislative compliance

The preparation of the initiative/proposal to change and supplement the building plan for Za Travnik is in its final phase.

As part of the membership of the TDIC consortium, we carry out the activities required by the evaluation process of the TiO₂ dossier according to REACH legislation and the registration of REACH requested outside the EU (Korea, Turkey, United Kingdom).

The preparation of documentation and the process of obtaining re-registration for Cu-fungicides are under way.

We carried out planned activities to establish control of Ex-flaps on mills in the production of powdered coatings.

A detailed plan is designed to upgrade the rainwater sewer with oil catchers and priority OLs have been determined, which will be installed this year in accordance with the budget plan (the process of obtaining bids for implementation is underway).

Activities are underway to change the environmental permit according to the IED - introduction of the requirements of the BAT CWW conclusions (implementation of additional waste water sampling, preparation of the monitoring programme and other required updates).

In 2022, we had one environmental inspection (verification of compliance with environmental permit requirements for a low-risk plant and risk reduction design) and one verification of the method, volume and quality of production of white gypsum for agricultural purposes. There were no deficiencies.

There were no complaints from the public in the first half of the year.

According to legislative requirements, we have prepared and submitted all monitoring reports for 2021 within the deadline. No exceedances of the maximum levels were observed. We participated in the preparation of new amendments to the legislation and the preparation of BREF documents (IED Regulation, waste Regulation, BREF-LIVIC S: Titanium dioxide production) and monitored all other changes (ZVO-2, IED-2, waste regulation, etc.).

We carried out all activities to obtain the POR certificate which was granted in January 2022. We participated in the questionnaire "Ecovadis sustainability rating" with a universal system of indicators that measures the effectiveness of meeting indicators in the field of environmental protection, human rights protection, employee health, ethics and sustainable purchasing. We got a score of 63 out of 100 and thus gained a silver award.

6.5 Health and Safety

During the half-year period, we did not record any serious work accidents. We dealt with 4 minor accidents, 1 less than in the same period last year.

We implemented a system of identifying potential hazards and taking action in the event of near misses. We have identified 40 potential hazards, which we eliminate on an ongoing basis. 4 near misses were reported. 'Minute for Safety' activity took place in various forms and time intervals in the production work environments.

We also pay great attention to fire safety, in addition to preventive inspections of individual plants, fire studies of individual plants were carried out, and in accordance with the legislative requirements, a new fire risk assessment was carried out for the entire company. Based on the assessment, the plans of individual preventive activities were also prepared. Regular inspections were also carried out on fire detection systems, smoke and heat extraction systems and automatic fire detection systems. We carried out checks on the pumping and sealing points of the rainwater sewer, which is designed to hold fire waters. The fire department carried out 1 firefighting exercise – an accident with two tanks and the consequent spill of hazardous substances. PGE Celje also participated in the exercise.

In the field of health care of employees, 140 periodic and 41 follow-up health check-ups were carried out.

In accordance with the established programme of health promotion, we carried out 10 activities (January 31 - a day without a cigarette; encouragement for responsiveness to the SVIT programme; vaccination against tick-borne meningoencephalitis; to work by bicycle; sports games at a picnic for employees; measurements of body composition and analysis of results; control of fat and sugar in the blood; coping with stress; measures at elevated temperatures in the workplace; exercise your body at work – article and screensaver).

The external evaluation of the system of occupational health and safety management according to ISO 45001:2018 was carried out in May.

7 FINANCIAL STATEMENTS

7.1 Income Statement

Income statement for the period from 1 January to 30 June

	JAN-JUNE 2022	JAN-JUNE 2021
Revenue from contracts with customers	134,212,006	99,390,257
Change in the value of inventories of products and work-in-progress	-3,291,891	-4,307,569
Capitalised own products and own services	1,269,361	1,669,870
Cost of goods and materials sold	114,046	91,570
Costs of materials	63,276,729	48,662,864
Costs of services	8,649,659	6,640,405
Labour costs	15,216,348	14,785,486
a) Costs of salaries	10,035,191	9,995,475
b) Social security costs	754,048	741,487
c) Pension insurance costs	1,119,992	1,094,518
d) Other labour costs	3,307,117	2,954,005
Depreciation and amortisation	6,596,617	6,542,510
Other operating revenues	354,641	599,335
Other operating expenses	1,536,415	999,534
Impairment and write-downs of operating receivables	52	0
Operating profit or loss	37,154,249	19,629,523
Financial revenues	756,647	494,592
Financial expenses	763,642	590,502
Financial result	-6,995	-95,910
Profit/loss before taxes	37,147,254	19,533,613
Tax charged	7,057,978	3,711,386
Deferred tax	0	0
Income tax	7,057,978	3,711,386
Net profit or loss for the year	30,089,275	15,822,226

* Basic and diluted earnings per share (total number of shares)

37.24

19.58

Net profit/number of shares issued; all shares issued by the company are ordinary registered shares, so the diluted earnings per share is equal to the basic earnings per share.

7.2 Statement of company's financial position

Statement of company's financial position

	30 June 2022	31 December 2021
ASSETS		
Non-current (long-term) assets		
Intangible assets	1,154,534	980,672
Property, plant and equipment	102,619,281	105,896,129
Land	9,640,678	9,676,850
Buildings	41,055,970	42,300,197
Production plants and machinery	40,666,872	44,344,912
Other plants and equipment	46,934	49,211
Property, plant and equipment under construction and in production	10,934,958	9,172,421
Advances for acquisition of property, plant and equipment	273,868	352,537
Financial assets at fair value through other comprehensive income	1,651,099	1,651,099
Financial receivables	0	0
Operating receivables	0	0
Other long-term assets	68,049	53,028
Deferred tax assets	1,930,685	1,930,685
Total non-current (long-term assets)	107,423,648	110,511,613
Current assets		
Assets intended for sale	0	0
Inventories	48,798,189	40,298,476
Material	38,357,894	26,842,350
Work in progress	2,832,601	2,471,875
Products and merchandise	7,230,093	10,921,232
Advances for inventories	377,601	63,018
Assets based on contracts with customers	0	0
Financial receivables	0	0
Operating receivables	50,089,179	31,172,903
Trade receivables	48,142,079	29,148,099
Other receivables	1,947,100	2,024,804
Income tax receivable	0	0
Cash and cash equivalents	35,906,877	59,746,594
Other current assets	150,947	155,223
Total current assets	134,945,191	131,373,196
Total assets	242,368,839	241,884,809

Statement of company's financial position (cont.)

	30 June 2022	31 December 2021
EQUITY AND LIABILITIES		
The capital of the owners of the Company		
Called-up capital	20,229,770	20,229,770
Capital surplus	44,284,976	44,284,976
Revenue reserves	101,824,169	101,824,169
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	84,892,734	84,892,734
Fair value reserves	-1,179,701	-1,179,702
Retained profits	30,173,434	25,006,577
Total equity	195,332,647	190,165,790
Non-current liabilities		
Provisions for employee benefits	4,140,948	4,256,064
Other provisions	18,539,288	18,828,856
Long-term deferred revenues	200,706	188,082
Financial liabilities	0	0
Operating liabilities	0	0
Liabilities from contracts with customers	0	0
Deferred tax liabilities	0	0
Total non-current liabilities	22,880,941	23,273,002
Current (short-term) liabilities		
Liabilities included in disposal groups	0	0
Financial liabilities	28,636	197,503
Operating liabilities	17,054,209	23,242,724
Trade payables	14,666,233	18,690,237
Other liabilities	2,387,975	4,552,487
Income tax liabilities	4,134,320	3,852,235
Liabilities from contracts with customers	365,227	136,087
Other current liabilities	2,572,860	1,017,468
Total current liabilities	24,155,251	28,446,017
Total liabilities	47,036,192	51,719,019
Total equity and liabilities	242,368,839	241,884,809

7.3 Statement of changes in equity

Statement of changes in equity for 2022

CINKARNA Metalurško - kemična industrija Celje, d. d.	Called up capital	Capital reserves	Revenue 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	4,814,794	-4,814,794	84,892,734	-1,179,702	86,234	24,920,343	190,165,790
Changes in equity - transactions with owners								24,922,418		24,922,418
Purchase of treasury shares										
Withdrawal of treasury shares								24,922,418	0	24,922,418
Dividend distribution										
Total comprehensive Income for the reporting period									30,089,275	30,089,275
Entry of net profit or loss for the reporting period									30,089,275	30,089,275
Other components of the total comprehensive income for the reporting period										
B3. Changes within equity								24,920,343	-24920343	
Allocation of the remaining net profit for the comparative period to other equity components								24,920,343	-24,920,343	
Allocation of part of net profit for the period to other equity components according to resolution of management and supervision bodies										
Reserves for treasury shares										
Release of reserves for treasury shares										
Closing balance for the period	20,229,770	44,284,976	16,931,435	4,814,794	-4,814,794	84,892,734	-1,179,702	84,159	30,089,275	195,332,646
DISTRIBUTABLE PROFIT								84,159	30,089,275	30,173,434

Statement of changes in equity for 2021

CINKARNA Metalurško - kemična industrija Celje, d. d.	Called up capital	Capital reserves	Revenue 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	3,900,280	-3,900,280	77,500,437	-647,812	5,151,743	11,370,393	174,820,942
Changes in equity - transactions with owners				640,286	-640,286			16,435,902		16,435,902
Purchase of treasury shares				640,286	-640,286					
Withdrawal of treasury shares								16,435,902		16,435,902
Dividend distribution										
Total comprehensive Income for the reporting period									15,822,226	15,822,226
Entry of net profit or loss for the reporting period									15,822,226	15,822,226
Other components of the total comprehensive income for the reporting period										
B3. Changes within equity						-640,286		11,370,393	-11,370,393	-640,286
Allocation of the remaining net profit for the comparative period to other equity components								11,370,393	-11,370,393	
Allocation of part of net profit for the period to other equity components according to resolution of management and supervision bodies										
Reserves for treasury shares						-640,286				-640,286
Release of reserves for treasury shares										
Closing balance for the period	20,229,770	44,284,976	16,931,435	4,540,566	-4,540,566	76,860,151	-647,812	86,234	15,822,226	173,566,979
DISTRIBUTABLE PROFIT								86,234	15,822,226	15,908,460

7.4 Cash Flow Statement for the period

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

	JAN-JUNE 2022	JAN-JUNE 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit/loss before taxes	37,147,254	19,533,613
Adjustments for:	7,128,928	6,877,600
Depreciation and amortisation	6,596,617	6,542,510
Profit/loss on sale of fixed assets	-51,103	-19,005
Impairment/write-down (reversal of impairment) of assets	590,355	450,005
Net decrease/formation of adjustment for the value of receivables	52	0
Net financial revenues/expenses	-6,995	-95,910
Cash flow from operating activities before net short-term assets (working capital) change	-39,445,716	-11,754,869
Change in operating receivables	-18,916,276	-7,742,075
Changes in assets from contracts with customers	0	-149,478
Change in the volume of inventories	-8,499,713	-2,289,567
Change in operating liabilities	-10,498,538	-385,293
Change in provisions balance	-404,685	-741,887
Changes in deferred revenues	12,623	17,128
Changes in other short-term liabilities	1,555,391	700,105
Changes in liabilities from contracts with customers	229,139	265,204
Income tax paid	-2,923,658	-1,429,006
Net cash flow from operating activities	4,830,465	14,656,344
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts from investing activities	51,759	3,352
Receipts from interest	656	357
Receipts from disposal of property, plant and equipment	51,103	2,995
Disbursements for investing activities	-3,630,657	-4,160,045
Disbursements for acquisition of intangible assets	-244,726	-49,652
Disbursements for acquisition of property, plant and equipment	-3,385,931	-4,104,311
Disbursements for acquisition of financial assets	0	-6,082
Net cash flow from investing activities	-3,578,898	-4,156,693
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from financing	0	0
Disbursements for financing activities	-25,091,285	-17,076,188
Disbursements for repayment of financial liabilities	-168,867	0
Disbursements for purchase of treasury shares	0	-640,286
Disbursements for dividends and other profit distributions	-24,922,418	-16,435,902
Net cash flow from financing activities	-25,091,285	-17,076,188
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS		
Net increase/decrease in cash and cash equivalents	-23,839,718	-6,576,537
Opening balance of cash and cash equivalents as at 1 Jan	59,746,594	37,657,824

7.5 Statement of Other Comprehensive Income

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

	JAN-JUNE 2022	JAN-JUNE 2021
Net profit or loss	30,089,275	15,822,226
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)	30,089,275	15,822,226

8 NOTES TO THE FINANCIAL STATEMENTS

1 Reporting by Segment

Sales by business segment

	in EUR	
	JAN..JUNE 2022	JAN..JUNE 2021
Titanium dioxide	111,084,568	80,450,346
Zinc recycling	4,587,642	2,998,402
Varnishes, coatings, masterbatches and printing inks	10,785,240	9,055,031
Agricultural products	5,481,275	4,909,116
Other	2,273,281	1,977,362
TOTAL	134,212,006	99,390,257

Sales by regional segment

	in EUR	
	JAN..JUNE 2022	JAN..JUNE 2021
Slovenia	11,620,561	9,024,181
European Union	103,539,865	73,624,132
Market of the countries of the former Yugoslavia	3,065,739	2,161,785
Third countries	14,633,821	12,688,101
Third countries - dollar market	1,352,019	1,892,059
TOTAL	134,212,006	99,390,257

Profit or loss by business segment

	in EUR											
	Titanium dioxide - pigments		Zinc recycling		Varnishes, coatings, masterbatches and printing inks		Agricultural products		Other		Total	
	30 June 2021	30 June 2022	30 June 2021	30 June 2022	30 June 2021	30 June 2022	30 June 2021	30 June 2022	30 June 2021	30 June 2022	30 June 2021	30 June 2022
Revenues from contracts with customers	80,450,346	111,084,568	2,998,402	4,587,642	9,055,031	10,785,240	4,909,116	5,481,275	1,977,362	2,273,281	99,390,257	134,212,006
Other operating revenues	503,835	315,466	0	0	7,259	931	7,453	286	1,750,657	1,307,319	2,269,204	1,624,002
Change in the volume of inventories	-3,409,833	-2,429,428	11,559	-6,633	-324,306	85,574	-622,281	-1,078,273	37,292	136,868	-4,307,569	-3,291,891
Operating costs	-58,890,853	-73,596,064	-2,996,935	-4,421,128	-7,908,338	-8,843,147	-3,904,804	-4,329,817	-4,021,440	-4,199,712	-77,722,370	-95,389,868
- of which depreciation	-3,881,247	-3,835,918	-42,455	-39,826	-234,660	-209,611	-132,512	-137,540	-2,251,637	-2,373,723	-6,542,511	-6,596,618
Operating profit or loss	18,653,495	35,374,542	13,026	159,881	829,646	2,028,598	389,484	73,471	-256,128	-482,243	19,629,523	37,154,249
Interest income											4,120	2,778
Other financial revenues											490,472	753,870
Interest expenses											4,112	2,628
Other financial expenses											586,390	761,015
Financial result											-95,910	-6,995
Deferred taxes											0	0
Income tax											3,711,386	7,057,978
Net profit or loss											15,822,226	30,089,275

2 Revenue from contracts with customers

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

	in EUR	
	JAN..JUNE 2022	JAN..JUNE 2021
Net revenues from contracts with the customers for products and services	133,856,733	99,197,387
Net revenues from contracts with the customers for goods and materials	355,273	192,870
TOTAL	134,212,006	99,390,257

3 Other operating revenues

	in EUR	
Revenue	JAN..JUNE 2022	JAN..JUNE 2021
Sale of emission allowances	0	436,560
Profit on sale and write-offs of assets	7,253	19,305
Revenues from government grants – COVID-19*	23,017	60,905
Revenues from government grants – energy act*	300,000	0
Recovered written-off receivables	0	5,515
Revenue from previous years	0	21,618
Indemnities from insurance companies	11,723	21,272
Other income	12,647	34,161
TOTAL	354,641	599,335

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

** In May 2022, the company received EUR 300,000 of aid under the Act Determining Measures to Mitigate the Consequences of Energy Commodity Price Rise in Business and Agriculture (ZUOPDCE) published in the Official Gazette of the Republic of Slovenia No. 29 (04. 03. 2022). The beneficiary of the aid for energy price rise was a legal entity with an energy cost increase of more than 40 % in 2022 compared to 2021. The amount of the aid was determined by the actual size of net sales revenues in 2019 and by the share of energy costs in total operating expenditure in 2019. In light of the criteria and the amount calculated, the aid was granted in the amount of EUR 300,000 and also paid into the company's transaction account in May 2022.

4 Costs by natural types

	in EUR	
	JAN..JUNE 2022	JAN..JUNE 2021
Cost of goods and materials sold	114,046	91,570
Costs of materials	63,276,729	48,662,864
Costs of services	8,649,659	6,640,405
Labour costs	15,216,348	14,785,485
Depreciation and amortisation	6,596,617	6,542,510
Other operating expenses	1,536,415	999,534
Impairment and write-downs of operating receivables	52	0
TOTAL	95,389,867	77,722,369

5 Labour costs

	in EUR	
Labour cost	JAN..JUNE 2022	JAN..JUNE 2021
Salaries, wages and compensations for salaries and wages	10,035,191	9,995,475
Social security contributions	1,658,853	1,630,866
Reimbursements of expenses to employees and other employee income	3,307,117	2,954,005
Supplementary pension insurance	215,188	205,139
TOTAL	15,216,348	14,785,485

The Company had 775 employees as at 30 June 2022. The average number of employees was 781.

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.

	in EUR	
Description	JAN..JUNE 2022	JAN..JUNE 2021
Depreciation and amortisation		
- intangible assets	70,864	98,584
- easement	36,172	36,172
- buildings	1,662,577	1,704,218
- production equipment	4,824,492	4,700,747

- other equipment	2,512	2,790
TOTAL	6,596,617	6,542,510

7 Operating Expenses

Operating Expenses

Expense	JAN..JUNE 2022	JAN..JUNE 2021
Costs of materials	63,276,729	48,662,864
Costs of services	8,649,659	6,640,405
Cost of goods and materials sold	114,046	91,570
Other operating expenses	1,536,415	999,534
TOTAL	189,31	1147,675

Other operating expenses

Other operating expenses	JAN..JUNE 2022	JAN..JUNE 2021
Establishment of provisions for ecology	59,144	0
Ecology fees and reimbursements	252,518	200,361
Awards to students for internship	69,220	106,966
Contribution for the use of ground land	377,433	183,957
Revaluation of inventories of materials and goods	590,355	378,254
Loss on sale of fixed assets	58,356	71,751
Other costs and expenses	129,390	58,245
TOTAL	1,536,415	999,534

8 Financial revenues and expenditure

Revenue	JAN..JUNE 2022	JAN..JUNE 2021
Net exchange rate differences	-	-
Interest and investment income	2,778	4,120
Total financial revenues	2,778	4,120
Net exchange rate differences	-7,145	-95,918
Interest expenses	-2,628	-4,112
Total financial expenditure	-9,773	-100,030
Net financial result	-6,995	-95,910

9 Income tax

The assessed income tax at the 19 % effective tax rate is EUR 7,057,978.

10 Intangible assets

Group of intangible assets for 2022	Cost		Adjustment		Carrying amount	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021	30 June 2022	31 December 2021
Property rights	5,845,386	5,633,593	4,814,622	4,744,346	1,030,764	889,248
Assets being acquired	123,770	91,424	0	0	123,770	91,424
TOTAL	5,969,155	5,725,018	4,814,622	4,744,346	1,154,533	980,672

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 2022	Cost		Adjustment		Carrying amount	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021	30 June 2022	31 December 2021
Land	10,803,263	10,803,263	1,162,585	1,126,413	9,640,678	9,676,850
Buildings	126,852,068	126,487,363	85,796,098	84,187,165	41,055,970	42,300,197
Equipment	222,653,699	227,909,652	181,939,892	183,515,529	40,713,807	44,394,123
Assets being acquired	10,934,958	9,172,421	0	0	10,934,958	9,172,421

CINKARNA CELJE, d. d.

Advances	273,868	352,537	0	0	273,868	352,537
TOTAL	371,517,857	374,725,236	268,898,576	268,829,107	102,619,281	105,896,129

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 June 2022, the Company also had no assets pledged as collateral.

12 Financial assets

Group of non-current financial investment for 2022	Cost		Revaluation		Fair value	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021	30 June 2022	31 December 2021
Other investments	1,755,026	1,755,026	103,927	103,927	1,651,099	1,651,099
TOTAL	1,755,026	1,755,026	103,927	103,927	1,651,099	1,651,099

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 2022	Cost		Adjustment		Carrying amount	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021	30 June 2022	31 December 2021
Emission allowances	68,049	53,028	0	0	68,049	53,028
TOTAL	68,049	53,028	0	0	68,049	53,028

In 2022, the Company handed over 25,376 emission allowances to ARSO for CO2 emissions for the financial year 2021 and received 40,397 allowances for the financial year 2022 on the basis of the decision.

14 Short-term financial investments

As at 30 June 2022 the company does not have financial investments.

15 Inventories

Group of inventories	30 June 2022	31 December 2021	Realisable value
Material	38,357,894	26,842,350	38,357,894
Work in progress	2,832,601	2,471,875	2,832,601
Products	7,215,623	10,868,240	12,297,421
Merchandise	14,470	52,992	14,470
Advances given	377,601	63,018	377,601
TOTAL	48,798,189	40,298,476	53,879,987

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 June 2022 exceeds their carrying amount.

16 Operating receivablesShort-term trade receivables

Group of receivables for 2022	Value of receivables		Adjustment		Net receivables	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021	30 June 2022	31 December 2021
Buyers in the country	5,418,075	4,063,142	267,017	267,017	5,151,058	3,796,125
Foreign buyers	42,847,008	24,868,008	381,437	381,437	42,465,571	24,486,571
Exporting agents	525,450	865,403	0	0	525,450	865,403
TOTAL	48,790,533	29,796,553	648,454	648,454	48,142,079	29,148,099

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

Movement of impairments of short-term trade receivables

in EUR

Year 2022	Status 31 December 2021	Adjustment 2022	Formed value adjustment in 2022	Write-offs of value adjustments from previous years	Paid written-off receivables	Status 30 June 2022
Buyers in the country	267,017	0	0	0	0	267,017
Foreign buyers	381,437	0	0	0		381,437
TOTAL	648,454	0	0	0	0	648,454

Trade Receivables by Maturity by segment

in EUR

Regional segment	Total receivables		Non past due		Past due					
					0 to 15 days		From 16 to 60 days		From 61 to 180 days	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021	30 June 2022	31 December 2021	30 June 2022	31 December 2021	30 June 2022	31 December 2021
Buyers in the country	5,151,058	3,796,125	4,880,318	3,627,348	229,375	151,427	41,366	17,349	0	0
Foreign buyers - EU and third countries	41,659,265	23,823,511	35,575,827	21,508,066	4,303,277	1,078,916	1,779,922	1,236,289	240	240
Buyers on the markets of the former Yugoslavia	806,307	663,061	767,736	647,647	34,164	10,114	4,407	5,300	0	0
Exporting agents	525,449	865,403	512,946	865,403	12,503	0	0	0	0	0
TOTAL trade receivables	48,142,079	29,148,099	41,736,826	26,648,463	4,579,319	1,240,457	1,825,694	1,258,938	240	240

Group of Trade Receivables by Maturity

in EUR

Group of trade receivables by maturity	Gross value 30.06.2022	Correction 30.06.2022	Gross value 31.12.2021	Correction 31.12.2021
Non past due	41,758,172	21,346	26,683,460	21,346
Past due up to 15 days	4,580,312	994	1,240,457	994
Past due from 16 up to 60 days	1,832,329	6,635	1,252,916	6,635
Past due from 61 up to 180 days	240	0	240	0
Past due over 180 days	619,479	619,479	619,479	619,479
TOTAL	48,790,533	648,454	29,796,552	648,454

Current Receivables due from Others

in EUR

Group of receivables	30 June 2022	31 December 2021
Receivables for VAT	1,755,344	1,789,384
Receivables due from institutions	166,747	186,642
Receivables due from employees	23,009	26,027
Other receivables	2,000	22,751
TOTAL	1,947,100	2,024,804

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

17 Cash and cash equivalents

in EUR

Group of assets	30 June 2022	31 December 2021
Cash in hand	30	30
Bank balances	29,906,847	53,622,153
Short-term call deposits	6,000,000	6,124,412
TOTAL	35,906,877	59,746,594

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.

in EUR

Description	30 June 2022	31 December 2021
Costs paid in advance	110,691	153,862
VAT on advances received	582	1,362
Material on the way and other	39,674	0

TOTAL	150,947	155,223
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19 Equity of the owners of the Company

Equity items	30 June 2022	31 December 2021
Called-up capital	20,229,770	20,229,770
Capital surplus	44,284,976	44,284,976
Legal reserves	16,931,435	16,931,435
Reserves for treasury shares	4,814,764	4,814,764
Treasury shares	-4,814,764	-4,814,764
Other revenue reserves	84,892,734	84,892,734
Fair value reserves	-1,179,701	-1,179,701
Retained profits	30,173,434	25,006,577
TOTAL EQUITY	195,332,647	190,165,790

The Company's share capital comprises 807,977 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 June 2022, share capital stands at EUR 20,229,770. The Company has 26,465 treasury shares in its portfolio as at 30 June 2022. In 2022, the company did not acquire treasury shares.

20 Non-current liabilities

Group of non-current liabilities	30 June 2022	31 December 2021
Provisions for employee benefits	4,140,948	4,256,064
Provisions for the environment	18,471,239	18,801,189
Government grants received — emission allowances	68,049	27,667
Deferred revenues	200,706	188,082
TOTAL	22,880,941	23,273,002

Post-employment employee benefits

Post-employment employee benefits	30 June 2022	31 December 2021
Provisions for severance payments	3,608,317	3,693,949
Provisions for jubilee benefits	532,631	562,115
TOTAL	4,140,948	4,256,064

Post-employment employee benefits	31 December 2021	Dedicated use	30 June 2022
Provisions for severance payments	3,693,949	85,632	3,608,317
Provisions for jubilee benefits	562,115	29,485	532,631
TOTAL	4,256,064	115,117	4,140,948

Provisions

Provisions for the environment	Status of 31 December 2021	Yearly dedicated use plan 2022	Formation 2022	Use 2022	Status of 30 June 2022
Provisions for the Za Travnik landfill	373,300	23,000	59,144	59,552	372,892
Provisions for the Bukovžlak landfill (ONOB)	6,187,523	2,110,000	0	317,338	5,870,185
Provision for the Bukovžlak high barrier	3,151,168	260,000	0	12,205	3,138,963
Provision for the elimination of risks from old burdens - CDM SMITH	5,988,176	10,000	0	0	5,988,176
Provision for Ecology - Ecology investment in the field of TiO ₂ production	3,101,022	0	0	0	3,101,022
TOTAL	18,801,189	2,403,000	59,144	389,094	18,471,239

The use of environmental provisions in 2022 is represented by the costs of the contractors for the work carried out in the amount of EUR 389,094. The new provision formation was made in the amount of EUR 59,144.

Deferred revenues

Deferred revenues	30 June 2022	31 December 2021
Exempt contributions for employment of disabled persons	13,537	913
Non-current deferred revenue for equipment	1,776	1,776
Funds received from the EU Fund	161,172	161,172

Equipment and vehicles obtained free of charge	24,221	24,221
TOTAL	200,706	188,082

21 Current financial liabilities

Group of liabilities	30 June 2022	31 December 2021
Current financial liabilities – assignments, cessions	16,249	191,886
Current liabilities from derivatives – futures and forwards	12,387	5,616
TOTAL	28,636	197,503

22 Current operating liabilities

Group of liabilities	30 June 2022	31 December 2021
Current trade payables to domestic suppliers	9,846,924	9,547,147
Current trade payables to foreign suppliers	3,911,370	9,137,478
Current liabilities for goods and services not invoiced	907,939	5,611
Current operating liabilities from advances	107	70,165
Current liabilities to employees	1,271,124	2,517,024
Current liabilities for the contributions of the payer	683,601	1,299,826
Current liabilities to government and other institutions	424,387	656,587
Other current liabilities	8,757	8,886
TOTAL	17,054,209	23,242,724

23 Liabilities for corporate income tax

Income tax	30 June 2022	31 December 2021
Current liabilities for corporate income tax	4,134,320	3,852,235
TOTAL	4,134,320	3,852,234

24 Liabilities based on contracts with customers

Liabilities based on contracts with customers	30 June 2022	31 December 2021
Liabilities based on contracts with customers	365,227	136,087
TOTAL	365,227	136,087

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.

Description	30 June 2022	31 December 2021
Accrued unused right to annual leave	823,198	823,198
Accrued costs	1,726,649	180,596
VAT from advances granted	23,013	10,889
Other	0	2,785
TOTAL	2,572,860	1,017,468

26 Contingent Assets and Liabilities

Description	30 June 2022	31 December 2021
Guarantees granted	2,345,729	2,345,729
Futures and forwards	563,109	4,650,283
VISA and Mastercard	40,000	40,000
Material in the process of completion or processing	59,725	59,725
TOTAL	3,008,563	7,095,737

Fair value

in EUR

	30 June 2022		31 December 2021	
	Book value	Fair value	Book value	Fair value
Financial assets at fair value through other comprehensive income	1,651,099	1,651,099	1,651,099	1,651,099
Trade receivables	48,142,079	48,142,079	29,148,099	29,148,099
Cash and cash equivalents	35,906,877	35,906,877	59,746,594	59,746,594
Financial liabilities	-28,636	-28,636	-197,503	-197,503
Trade payables	-14,666,233	-14,666,233	-18,690,237	-18,690,237
Liabilities from contracts with customers	-365,227	-365,227	-136,087	-136,087
Total	70,639,959	70,639,959	71,521,965	71,521,965

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 June 2022				31 December 2021			
	Group 1	Group 2	Group 3	Total	Group 1	Group 2	Group 3	Total
Financial assets at fair value through other comprehensive income	0	1,651,099	0	1,651,099	0	1,651,099	0	1,651,099
Total assets measured at fair value	0	1,651,099	0	1,651,099	0	1,651,099	0	1,651,099
Assets for which fair value is disclosed								
Trade receivables	0	0	48,142,079	48,142,079	0	0	29,148,099	29,148,099
Cash and cash equivalents	0	0	35,906,877	35,906,877	0	0	59,746,594	59,746,594
Total assets for which fair value is disclosed	0	0	84,048,956	84,048,956	0	0	88,894,693	88,894,693
Total	0	1,651,099	84,048,956	85,700,055	0	1,651,099	88,894,693	90,545,792

in EUR

Fair value of liabilities	30 June 2022				31 December 2021			
	Group 1	Group 2	Group 3	Total	Group 1	Group 2	Group 3	Total
Financial liabilities	0	0	28,636	28,636	0	0	197,503	197,503
Trade payables	0	0	14,666,233	14,666,233	0	0	18,690,237	18,690,237
Liabilities from contracts with customers	0	0	365,227	365,227	0	0	136,087	136,087
Total liabilities for which fair value is disclosed	0	0	15,060,096	15,060,096	0	0	19,023,827	19,023,827

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 June 2022 and 31 December 2021. 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 2021 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.

Interest rate risk represents the possibility of loss 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.

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.

Due to good operations and a favourable financial situation, the company concludes deposit contracts with minimum positive interest rates in order to reduce the costs of demurrage with banks. On the balance sheet date 30/6/2022 deposits with a maturity of up to one year amount to EUR 6 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 has decreased materially, which is demonstrated by the receivables maturity data as well as the fact that we practically no longer have additional revaluation adjustments of receivables due to the doubts as to their payment or the default on the disclosed trade receivables.

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 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 a 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 June 2022	31 December 2021
Financial investments	12, 14	1,651,099	1,651,099
Trade receivables	16	48,142,079	29,148,099
Cash and cash equivalents	17	35,906,877	59,746,594
TOTAL		85,700,055	90,545,792

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 exceptionally also 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

in EUR

	30 June 2022		31 December 2021	
	EUR*	USD	EUR*	USD
Trade receivables	48,142,079	596,600	28,269,239	997,800
Advances given	0	0	36,099	40,915
Cash and cash equivalents	35,906,877	7,778	59,746,594	0
Short-term financial liabilities	-28,636		-197,503	0
Short-term operating liabilities	-16,907,110	-154,900	-23,242,724	-6,680,374
Exposure to the statement of financial position (net)	67,113,211	449,478	64,611,705	-5,641,659

* 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 June 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 June 2022 is 1.0517 and as at 31 December 2021 is 1.1326.

Sensitivity analysis

A change in the value of the USD currency by 1 % compared to the EUR as at 31/12/2021 or 31/12/2020 would change the profit or loss before tax for the values listed 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.

in EUR

	30 June 2022		31 December 2021	
	1%	-1%	1%	-1%
Impact on the profit/loss before taxes	-26,327	+17,779	302,125	-302,152

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. Dividends are paid once a year in accordance with the company's five-year strategy for the period 2019-2023 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 2022. 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 EUR

CINKARNA CELJE, d. d.

	30 June 2022	31 December 2021
Financial liabilities	28,636	197,503
Business and other current liabilities	17,054,209	28,248,514
Cash and cash equivalents	35,906,877	59,746,594
Net debt	-18,824,032	-31,300,577
Equity	195,332,647	190,165,790
Capital and net debt	176,508,615	158,865,213
Leverage indicator	-11%	-20%

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

The Company did not have any business events that would materially affect the financial statements disclosed as at 30 June 2022.

In accordance with the applicable legislation, the company carried out the splitting of shares in a ratio of 1:10. 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 (times 10), and their price decreased (divided by 10). The new number of shares thus amounts to 8,079,770, which will be duly taken into account and recalculated retrospectively in subsequent reporting periods.

The exposure of the Company in the markets of Ukraine and Russia is negligible, since the company spends less than a percentage of its sales in those countries.

However, the indirect exposure to Ukraine is not negligible, as Ukraine is an important supplier of ores to many producers of titanium dioxide (Cinkarna Celje, d.d., has no supplies from Ukraine). The situation can temporarily disable or even stop the supply of ores, which is why buyers will be forced to find an alternative supplier. This can trigger an increase in the prices of titanium-bearing ores and increase the purchase prices of Cinkarna Celje's basic strategic raw material.

Another important factor that represents a significant share of the Company's costs is energy and 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 interruption of deliveries of the energy product natural gas, which would seriously threaten the production and operation of Cinkarna Celje, d.d.

In connection with the increased risk of cyberattacks, we have upgraded existing ones and taken a number of new measures to ensure cyber security. We also pay a lot of attention to raising awareness of employees regarding information security (phishing test, targeted education, etc.).

All risks and impacts cannot be estimated reliably at this time, but these and other, today still unknown, circumstances could have a significant impact on the company's operations in the future if the situation in Ukraine and Russia does not settle.