

NON-AUDITED FINANCIAL STATEMENTS FOR THE YEAR 2018 & STATEMENT BY THE SUPERVISORY BOARD

Celje, 13 March 2019

In accordance with Article 17 of Regulation (EU) No 596/2014 (MAR) and Article 158 of Market and Financial Instruments Act (ZTFI-1) we hereby publish non-audited 2018 financial statements, which were discussed at the session of the Supervisory Board of the Company on 12 March 2019.

Non-audited financial statements for the year 2018 shall be posted on the official website of the Company - www.cinkarna.si on 13 March 2019 and shall be available for ten years minimum. They shall be filed to The Agency for Public Legal Records and Related Services on 13 March 2019.

Brief comment by the Management Board

In the year 2018, we operated successfully despite changes in market conditions. Even though the 2017 sales and the planned sales were not exceeded, Cinkarna Celje d. d. reached a historic high in terms of the achieved profit. The most important reason for falling short of reaching the plan or non-exceeding the sales of previous periods lies in the titanium dioxide industry. The changed balance of supply and demand was reflected in lower quantities and in reduced selling prices, which are otherwise still at a rather high level. Despite negative trends for the selling prices and positive trends for the purchase prices, the profit margin of 2017 was exceeded. At the same time, the structure of business programmes and the internal efficiency of operating of the entire system were substantially improved due to abandonment of non-profitable programme of titanium-zinc sheets.

The designed industry comparisons and analyses of the results of the periods indicate that Cinkarna Celje, d. d. kept the position of the most successful companies in the titanium dioxide industry also in 2018. All the competition have improved their successfulness of their operation in 2018, however, in terms of absolute as well as relative annual industry comparisons, Cinkarna Celje, d. d. is above the average level in the industry and is strengthening its position among the most successful market players. Net profit for 2018 reached record amount of EUR 30.6 million. This is 6 % more of reached EUR 28.8 million in 2017. Realised net profit was 6 % lower than planned for 2018 (which amounts to EUR 32.6 million of profit).

From the last trading days in 2017 to the last trading day in 2018, the share price of Cinkarna Celje, d. d. on the entry market of the Ljubljana Stock Exchange decreased from EUR 216 per share to EUR 181 per share or by as much as 17 %. The increase was stable until the middle of May. In the beginning of June the topical news was an eventual take-over, which caused the increase in the share price, as it reached the amount of EUR 274 per share, and then begun to slowly decrease by the end of the year. The SBI TOP index lowered by 2.0 % in the same period. The company paid EUR 21.6 million in dividends (193 % more than the year before) or EUR 26.52 of gross dividend per share in 2018. Dividend yield came in at a high 12.63 % on the date of the General Meeting resolution and was again among the highest yields in the industry of titanium dioxide pigment.

The investments increased by 70 % and even exceeded the planned amount for 8.9 %. The bulk of the funds was allocated to modernising, stabilising and intensifying quality parameters in the titanium dioxide pigment production as well as to the projects for environmental management, safety and health at work. Part of funds was spent for modernisation and legislative compliance of energy facilities and infrastructure. Major investment was installation of a new line for the production of masterbatches and powder coatings in Mozirje.

NON-AUDITED FINANCIAL STATEMENTS FOR THE YEAR 2018 & RESOLUTION OF THE SUPERVISORY BOARD

Celje, 13 March 2019

Balance sheet

	in EUR		
	31 Dec 2018	31 Dec 2017	Index 18/17
ASSETS	213,954,012	219,731,072	97
A. Non-current assets	107,594,140	99,132,889	109
I. Intangible assets and long-term deferred costs and accrued revenues	1,424,728	1,642,406	87
1. Long-term property rights	1,411,819	1,587,646	89
5. Other long-term deferred costs and accrued revenues	12,909	54,760	24
II. Tangible fixed assets	102,660,428	93,891,611	109
1a. Land	9,857,976	9,874,712	100
1b. Buildings	42,073,048	41,278,843	102
2. Manufacturing plant and equipment	35,631,444	31,716,610	112
3. Other plant and equipment	42,475	41,122	103
4a. Tangible fixed assets under construction and in production	14,461,532	8,611,333	168
4b. Advances for acquisition of tangible fixed assets	593,952	2,368,991	25
IV. Long-term financial assets	950,363	950,363	100
1a. Other shares and interests	950,363	950,363	100
VI. Deferred tax assets	2,558,621	2,648,509	97
B. Current assets	106,067,370	120,239,680	88
II. Inventories	46,067,012	41,314,607	112
1. Materials	26,042,456	25,594,946	102
2. Work in progress	2,483,963	1,727,210	144
3. Products and merchandise	17,523,906	6,574,598	267
4. Advances for inventories	16,687	7,417,853	-
III. Short-term financial assets	247,681	0	-
1. Short-term investments, excluding loans	47,681	0	-
1c. Other short-term investments	47,681	0	-
2. Short-term loans	200,000	0	-
2b. Short-term loans to others	200,000	0	-
IV. Short-term operating receivables	26,269,282	34,473,658	76
2. Short-term trade receivables	24,357,937	32,575,764	75
3. Short-term operating receivables due from others	1,911,345	1,897,894	101
V. Cash	33,483,395	44,451,415	75
C. Short-term deferred costs and accrued revenues	292,502	358,503	82

**NON-AUDITED FINANCIAL STATEMENTS FOR THE YEAR 2018
& RESOLUTION OF THE SUPERVISORY BOARD**

Celje, 13 March 2019

			in €	
		31 Dec 2018	31 Dec 2017	Index 18/17
EQUITY AND LIABILITIES		213,954,012	219,731,072	97
A.	Equity	173,925,466	166,520,502	104
I.	Called-up capital	20,396,244	20,396,244	100
	1. Share capital	20,396,244	20,396,244	100
II.	Capital surplus	44,284,976	44,284,976	100
III.	Revenue reserves	88,068,917	81,554,551	108
	1. Legal reserves	16,931,435	16,931,435	100
	2. Reserves for treasury shares	1,364,106	238,926	571
	3. Treasury shares	-1,364,106	-238,926	571
	5. Other revenue reserves	71,137,482	64,623,116	110
V.	Fair-value reserves	-1,666,698	-1,265,277	132
VI.	Retained net profit/accumulated loss	-76,610	-23,965	320
VII.	Net profit or loss for the financial year	22,918,637	21,573,973	106
B.	Provisions and long-term accrued costs and deferred revenues	27,763,293	28,428,742	98
	1. Provisions for pensions and similar liabilities	3,811,723	3,318,225	115
	2. Other provisions	23,439,296	24,622,438	95
	3. Long-term accrued costs and deferred revenues	512,274	488,079	105
Č.	Short-term liabilities	11,407,422	23,827,392	48
II.	Short-term financial liabilities	70,677	77,573	91
	1. Other short-term financial liabilities	70,677	77,573	91
III.	Short-term operating liabilities	11,336,745	23,749,819	48
	1. Short-term trade payables	8,683,609	14,543,172	60
	2. Short-term operating liabilities from advances	27,428	95,457	29
	3. Other short-term operating liabilities	2,625,708	9,111,190	29
D.	Short-term accrued costs and deferred revenues	857,831	954,436	90

NON-AUDITED FINANCIAL STATEMENTS FOR THE YEAR 2018 & RESOLUTION OF THE SUPERVISORY BOARD

Celje, 13 March 2019

Statement of Profit or Loss for the period from 1 January to 31 December

in EUR

	YEAR 2018	YEAR 2017	Index 18/17
1. Net sales revenues	163,960,861	188,704,758	87
- Net sales revenues generated on the domestic market	21,624,294	24,460,675	88
- Net sales revenues generated on the international market	142,336,567	164,244,083	87
2. Change in the values of inventories of products and work in progress	11,756,418	-1,274,431	-
3. Capitalised own products and services	3,447,628	2,113,892	163
4. Other operating revenues (including revaluation operating revenue)	2,994,660	1,034,029	290
5. Costs of goods, material and services	102,004,714	104,576,124	98
a) Costs of goods and materials sold and cost of materials used	88,012,639	90,742,232	97
b) Costs of services	13,992,075	13,833,892	101
6. Labour costs	30,082,256	30,324,810	99
a) Costs of wages and salaries	23,052,938	22,338,216	103
b) Costs of social security	1,828,849	1,728,875	106
c) Costs of pension insurance	2,469,281	2,499,243	99
č) Other labour costs	2,731,188	3,758,477	73
7. Write-down in value	12,390,336	13,109,958	95
a) Amortization	12,172,175	12,352,786	99
b) Revaluation operating expenses associated with intangible assets and tangible fixed assets	49,456	323,665	15
c) Revaluation operating expenses associated with current assets	168,705	433,507	39
8. Other operating expenses	1,273,775	6,846,137	19
Operating profit or loss	36,408,486	35,721,219	102
9. Finance income from participating interests	44,152	20,451	216
č) Finance income from other investments	44,152	20,451	216
10. Finance income from loans granted	21,956	163,027	13
a) Financial income from loans to the Group companies	0	381	-
b) Financial income from loans to others	21,956	162,646	13
11. Finance income from operating receivables	486,550	686,833	71
b) Finance income from operating receivables due from others	486,550	686,833	71
12. Finance expenses income from impairment and investment write-offs	0	291,000	-
13. Finance expenses from financial liabilities	74,726	64,396	116
14. Finance expenses from operating liabilities	917,405	1,685,322	54
b) Finance expenses from trade payables and bills payable	494,350	301,426	164
c) Finance expenses from other operating liabilities	423,055	1,383,896	31
15. Other income	66,988	11,081	605
16. Other expenses	12,346	11,003	112
Profit or loss before tax	36,023,655	34,550,892	104
17. Income tax	5,375,584	6,351,394	85
18. Deferred taxes	-89,888	565,799	-
19. Net profit or loss for the financial year	30,558,183	28,765,297	106
Basic earnings per share ¹	37.51	35.31	106
Diluted earnings per share ²	37.51	35.31	106

¹ Net profit /number of shares

² All shares are ordinary, freely transferable and of the same class.

**NON-AUDITED FINANCIAL STATEMENTS FOR THE YEAR 2018
& RESOLUTION OF THE SUPERVISORY BOARD**

Celje, 13 March 2019

**Statement of other Comprehensive Income for the Period from 1 January to
31 December.**

		in EUR		
		YEAR 2018	YEAR 2017	Index 18/17
19.	Net profit or loss for the period	30,558,183	28,765,297	106
23.	Other components of comprehensive income	-401,421	-858,672	47
24.	Total comprehensive income for the period (19+23)	30,156,762	27,906,625	108

NON-AUDITED FINANCIAL STATEMENTS FOR THE YEAR 2018 & RESOLUTION OF THE SUPERVISORY BOARD

Celje, 13 March 2019

Statement of Changes in Equity and Determination of Accumulated Profit

in EUR

Statement of changes in equity for 2018	Share capital	Capital surplus	Revenue reserves				Fair-value reserve	Retained earnings	Net profit or loss for the financial year	Total equity
			Legall reserves	Reserves for treasury shares	Treasury shares	Other revenue reserves				
			III/1	III/2	III/3	III/5				
	I/1	II	III/1	III/2	III/3	III/5	V	VI	VII/1	VIII
A2. Opening balance for the period	20,396,244	44,284,976	16,931,435	238,926	-238,926	64,623,116	-1,265,277	-23,965	21,573,973	166,520,502
B1. Changes in equity - transaction with owners				1,125,177	-1,125,177			21,546,890		21,546,890
d) Acquisition of treasury shares				1,125,177	-1,125,177					
g) Dividend payout								21,546,890		21,546,890
B2. Total comprehensive income for the reporting period							-401,421	-79,728	30,558,183	30,077,034
a) Net profit (loss) for the period									30,558,183	30,558,183
c) Change in surplus from revaluation termination benefits							-401,421	-79,728		-481,149
B3. Changes within equity						6,514,366		21,573,973	-29,213,519	-1,125,180
a) Allocation of the remaining net profit for the period to other equity comp.										
b) Allocation of part of net profit for the period according to the resolution of the Management Board and the Supervisory Board						7,639,546		21,573,973	-29,213,519	0
d) Change in surplus for treasury shares						-1,125,180				-1,125,180
C. Closing balance for the period	20,396,244	44,284,976	16,931,435	1,364,103	-1,364,103	71,137,482	-1,666,698	-76,610	22,918,637	173,925,466
ACCUMULATED PROFIT								-76,610	22,918,637	22,842,027

in EUR

Statement of changes in equity in 2017	Share capital	Capital surplus	Revenue reserves				Fair-value reserves	Retained earnings	Net profit or loss for the financial year	Total equity
			Legall reserves	Reserves for treasury shares	Treasury shares	Other revenue reserves				
			III/1	III/2	III/3	III/5				
	I/1	II	III/1	III/2	III/3	III/5	V	VII/1	VIII/1	VIII
A2. Opening balance for the period	20,396,244	44,284,976	16,931,435	238,926	-238,926	57,431,792	-431,863	34,212	7,319,998	145,966,794
B1. Changes in equity - transaction with owners								7,352,917		7,352,917
g) Dividend payout								7,352,917		7,352,917
B2. Total comprehensive income for the reporting period							-833,414	-25,258	28,765,297	27,906,625
a) Entry of net profit or loss for the financial year									28,765,297	28,765,297
c) Change in surplus from revaluation termination benefits							-833,414	-25,258		-858,672
B3. Changes within equity						7,191,324		7,319,998	-14,511,322	0
a) Allocation of the remaining net profit for the period to other equity comp.								7,319,998	-14,511,322	-7,191,324
b) Allocation of part of net profit for the period according to the resolution of the Management Board and the Supervisory Board						7,191,324				7,191,324
C. Closing balance for the period	20,396,244	44,284,976	16,931,435	238,926	-238,926	64,623,116	-1,265,277	-23,965	21,573,973	166,520,502
ACCUMULATED PROFIT								-23,965	21,573,973	21,550,008

NON-AUDITED FINANCIAL STATEMENTS FOR THE YEAR 2018 & RESOLUTION OF THE SUPERVISORY BOARD

Celje, 13 March 2019

Cash Flow Statement

	in EUR		
	YEAR 2018	YEAR 2017	Index 18/17
A. CASH FLOWS FROM OPERATING ACTIVITIES			
a) Net profit or loss	30,648,071	28,765,297	107
Profit or loss before tax	36,023,655	34,550,892	104
Income tax and other taxes not included in operating expenses	5,375,584	5,785,595	93
b) Adjustments for	12,021,293	12,739,506	94
Amortisation +	12,172,175	12,352,786	99
Revaluation operating revenues -	302,935	186,973	162
Revaluation operating expenses +	218,161	757,171	29
Finance income excluding that from operating receivables -	66,108	183,478	36
Changes of net current assets (and accruals, deferrals, provisions, deferred tax assets) of balance sheet items	-9,596,303	-5,296,679	181
Opening less closing operating receivables	8,204,376	-7,763,937	-
Opening less closing deferred costs and accrued revenues	66,001	66,522	99
Opening less closing deferred tax assets	89,888	-565,799	-
Opening less closing inventories	-4,752,405	-10,745,372	-
Closing less opening operating liabilities	-12,413,074	8,413,674	-
Closing less opening accrued costs, deferred revenues and provisions	-791,089	5,298,233	-
č) Net cash flow from operating activities (a+b+c)	33,073,061	36,208,124	91
B. CASH FLOWS FROM INVESTING ACTIVITIES			
a) Receipts from investing activities	369,043	370,451	100
Receipts from interest and profit participations in other entities pertaining to investing activities	66,108	183,478	36
Receipt from disposal of tangible fixed assets	302,935	186,973	162
b) Disbursements for investing activities	22,855,982	15,756,133	145
Disbursements for acquisition of intangible assets	112,047	224,238	50
Disbursements for acquisition of tangible fixed assets	22,496,254	15,531,895	145
Disbursements for acquisition of financial assets	247,681	0	-
c) Net cash flow from investing activities (a-b) or (b-a)	-22,486,939	-15,385,682	146
C. CASH FLOWS FROM FINANCING ACTIVITIES			
b) Disbursements for financing activities	21,554,142	7,403,050	291
Disbursements for repayment of financial liabilities	6,896	39,285	18
Disbursements for dividends and other profit distributions	21,547,246	7,363,765	293
c) Net cash flow from financing activities (a-b) or (b-a)	-21,554,142	-7,403,050	291
Č. CLOSING BALANCE OF CASH AND CASH EQUIVALENTS 0	33,483,395	44,451,415	75
x) Cash flow for the period (net sum of items Ač, Bc, Cc)	-10,968,020	13,419,392	-
y) Opening balance of cash and cash equivalents as at 1 January	44,451,415	31,032,023	143

**NON-AUDITED FINANCIAL STATEMENTS FOR THE YEAR 2018
& RESOLUTION OF THE SUPERVISORY BOARD**

Celje, 13 March 2019

RESOLUTION OF THE SUPERVISORY BOARD

The Supervisory Board was familiarised with the non-audited financial statements and non-audited Annual Report of Cinkarna Celje, d. d. for the year 2018 at its sessions on 12 March 2019.

CINKARNA CELJE, d. d.
Management Board