

**UNAUDITED BUSINESS REPORT  
OF CINKARNA CELJE  
FOR THE PERIOD  
JANUARY-SEPTEMBER 2022**

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## SELECTION OF THE MOST IMPORTANT DATA

<b>OPERATIONS in € 000</b>	<b>H-X 2022</b>	<b>H-X 2021</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Turnover	188,588.80	145,966.85	192,462.10	172,386.90	172,587.00
Operating profit (EBIT) <sup>1</sup>	48,688.80	32,313.03	39,976.60	22,534.40	25,726.90
Operating profit plus depreciation and amortisation (EBITDA) <sup>2</sup>	58,580.41	42,126.77	51,258.00	32,467.20	32,296.30
Net profit	39,548.55	26,163.92	33,227.10	18,950.70	21,436.40
Non-current assets (end of period)	108,129.58	105,998.06	110,511.61	110,888.70	107,753.80
Current assets (end of period)	151,658.12	118,070.86	131,373.20	100,251.70	100,516.50
Equity (end of period)	204,791.92	182,829.81	190,165.80	174,820.90	170,806.10
Non-current liabilities (end of period)	22,722.80	19,887.92	23,273.00	20,876.40	22,578.00
Current liabilities (end of period)	32,272.89	21,351.19	28,446.00	15,442.00	14,886.20
Investments	6,948.59	6,604.73	11,325.40	12,233.00	11,956.00
<b>INDICATORS</b>					
EBIT as a percentage of turnover	0.26	0.22	0.21	0.13	0.15
EBITDA as a percentage of turnover	0.31	0.29	0.27	0.19	0.19
Net profit as a percentage of turnover (ROS)	20.97	17.92	17.26	10.99	12.42
Return on equity (ROE) <sup>3</sup>	20.03	14.63	21.40	12.50	14.70
Return on assets (ROA) <sup>4</sup>	15.77	12.02	14.70	9.00	10.20
Value added per employee <sup>5</sup>	114,420	84,168	106,181	78,729	80,896
<b>NUMBER OF EMPLOYEES</b>					
End of year/period	773	798	793	824	846
Average at end of year/period	778	803	801	838	874
<b>SHARE INFORMATION *</b>					
Total number of shares	8,079,770	8,079,770	8,079,770	8,079,770	8,079,770
Number of own shares	264,650	253,150	264,650	219,510	106,520
Number of shareholders	2,197	2,045	2,077	1,920	1,920
Earnings per share in € <sup>6</sup>	4.89	3.24	4.11	2.35	2.65
Dividend yield <sup>7</sup>	10 %	9 %	9 %	11 %	13 %
Gross dividend per share in €	3.19	2.10	2.10	1.70	2.83
Share price at end of period in €	23.60	23.80	25.90	17.80	18.75
Book value per share in € <sup>8</sup>	25.35	22.63	23.54	21.64	21.18
Market capitalisation (end of period)	190,682.57	192,298.53	209,266.04	143,819.91	151,495.69

\* share split recalculated for previous periods

<sup>1</sup> The difference between operating income and operating expenses.

<sup>2</sup> The difference between operating income and operating expenses, plus depreciation and amortisation. Reflects operating performance.

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

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

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

<sup>6</sup> Net profit/total number of shares issued.

<sup>7</sup> Amount of dividend/share value (at the date of the resolution).

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

## BUSINESS REPORT

In the first nine months of 2022, sales are 29% higher than in the previous comparable period. The increase is further driven by higher average prices for titanium dioxide pigment. The slowdown in customer demand from all sales segments due to inflationary pressures on the industry and the end consumer materialised in the period. A significant drop in demand for pigment is recorded in China, leading to a significant drop in local prices and an increased pressure from their producers on the European market. In line with the above, the trend of pigment selling prices in Europe is also reversing.

The most important building blocks of the business performance continue to be titanium dioxide pigment and the rationalisation of the portfolio of strategic business areas, focusing on the core programme and exiting unprofitable activities.

In terms of titanium dioxide pigment production capacity, we are one of the smaller producers worldwide. In Europe, we are comparable to the smaller plants of Eastern European producers. Based on industry analyses and comparisons of business performance, Cinkarna Celje d.d. is one of the more successful players in the titanium dioxide pigment industry. The Management Board considers that the business results achieved are objectively good and exceed the forecasts for the period. Cinkarna Celje d.d. is a relatively small pigment producer, and we are therefore facing market conditions and changes as a typical follower, but of course we are trying to make the most of the market's potential in terms of both level and time dynamics within the framework given to us.

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

Economic growth in the euro area has been slowing since May. Private consumption is falling amid price pressures, declining purchasing power and greater consumer caution. The outbreak of war in Ukraine and the partial economic shutdown in China are reinforcing disruptions in global supply chains. The result of the above is also reflected in a deterioration of the Purchasing Managers' Index. The outlook for economic activity is also worsened by the tightening of monetary policy. Uncertainties related to the increase in prices of raw materials, transport and, in particular, energy are increasing and could have a significant negative impact on the company's business and its business plans in the last quarter of the current year and, in particular, in the next year.

The macro situation explained above in the context of Cinkarna Celje's specific markets and carrier products means that pigment consumers are facing weaker demand and sentiment, with high costs and inflation being the key reasons. In addition to the European supply of pigment, very cheap volumes from Asia are emerging. In line with the weaker European sentiment, pigment imports fell in September compared to August. Based on our assessment of the current market situation, we estimate that there will be a negative price correction over the next few quarters. In parallel, there are strong upward pressures on the prices of some key raw materials, including titanium-bearing ores, energy and transport, which will put significant downward pressure on profit margins already in the second half of this year, and especially in the next year.

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

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

In the period under review, Cinkarna Celje generated sales revenues of € 188.6 million, which is 29% more than in the comparable period of the previous year. The total value of exports in the period under consideration amounted to € 172.7 million, which is 30% more than in the same period of the previous year. The net profit amounted to € 39.5 million, 51% higher than the € 26.1 million achieved in the corresponding period of the previous year. Operating profit plus depreciation and amortisation, or EBITDA, amounted to € 58.6 million, representing 31% of sales. EBITDA is up 39% year-on-year.

In the area of employees and human resources management, during the COVID-19 epidemic, special attention was paid to compliance with the set of measures taken by the Management Board of the company, with the aim of ensuring the smooth operation of the company and, consequently, the conditions for maximum safety and health of employees, protection of employees against the possibility of infection, and optimisation of working conditions for employees in times of limited human resources. We follow the principle of a positive and motivating remuneration policy and of ensuring an appropriate level of employee satisfaction and motivation.

In the first nine months of the year, we spent € 6.95 million on investments, the purchase of fixed assets and replacement equipment, and environmental investments, representing just over 48% of the planned budget for 2022.

We invest in programmes that show growth potential. Our investments in production are primarily aimed at ensuring a viable level of volume production, higher quality and regulatory compliance. We are building solar power plants in phases. Improvements in the operation or upgrading of waste water treatment plants and the implementation of measures to reduce emissions in the working environment are ongoing.

Our development activities are pursuing our five-year strategy while at the same time preparing the ground for its revision, notably in terms of complementing existing programmes. Development activities have been carried out in response to perceived opportunities in the areas of our expertise, trends and customer expectations.

In the context of ensuring the sustainable development of titanium dioxide production, we are continuing our multi-year development project on integrated water management and waste minimisation. We have also set up and implemented new activities in the areas of determining the carbon footprint of the company and its main products, the use of renewable energy, the re-use of materials and energy efficiency.

We have a number of interlinked projects to manage spatial and environmental risks in a comprehensive way. The most important of these are the alternative water supply projects, the harmonisation of the zoning acts at the Za Travnik red gypsum filling plant, the remediation of the Bukovžlak Non-Hazardous Waste Landfill (ONOB) and ensuring the stability of dams.

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

**Management Board**

## STATEMENT OF MANAGEMENT RESPONSIBILITY

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

The Management Board of Cinkarna Celje d.d. declares that the condensed financial statements of Cinkarna Celje d.d. for the period ended 30 September 2022 have been prepared so as to give a true and fair view of the financial position and results of operations of Cinkarna Celje d.d.

The same accounting calibrations have been applied in the preparation of the financial statements as in the preparation of the annual financial statements of Cinkarna Celje d.d. for the financial year 2021.

The financial statements for the financial period ended 30 September 2022 are prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the annual financial statements prepared for the financial year ended 31 December 2021.

The Management Board of Cinkarna Celje d.d. is responsible for the smooth operation of the company and for ensuring the preservation of the value of the assets of Cinkarna Celje d.d., as well as for the prevention and detection of fraud and other irregularities. The Management Board expects that the Company will have adequate resources to continue as a going concern in the future and, therefore, the financial statements of the Company are prepared on the going concern basis.

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

- that the business report of Cinkarna Celje d.d. for the first nine months of 2022 includes a fair presentation of the development and results of its business and of its financial position, including a description of all material risks to which the Company is exposed;
- that the financial report of Cinkarna Celje d.d. for the first nine months of 2022 has been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and that it gives a true and fair view of the assets and liabilities, financial position, profit or loss and comprehensive income of the Company.

The financial statements, together with the related policies and notes, were adopted by the Management Board on 25 October 2022.

### Management Board

**President of the  
Management Board**

Aleš SKOK,  
BSc (Chem. Eng., MBA – USA)



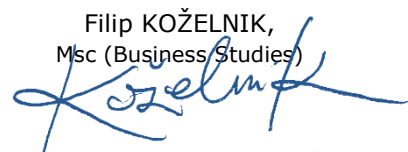
**Member of the Management  
Board – Deputy President  
of the Management Board –  
Technical Director**

Nikolaja PODGORŠEK SELIČ  
BSc (Chem. Eng., Specialist)



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

Filip KOŽELNIK,  
Msc (Business Studies)



## 1 SALES

The company's total sales in the period under consideration in 2022 are 29% higher than the sales achieved in the comparable period in 2021. The total amount of sales or net turnover reached € 188.6 million. One of the highest monthly sales in 2022 was achieved in March, when sales amounted to € 23.6 million, which is an all-time monthly record.

### 1.1 Sales by regional section

Total sales to foreign markets increased by 28% in the first nine months of 2022 compared to the comparable period of the previous year. The increase in sales to foreign markets is undoubtedly due to higher pigment selling prices. In absolute terms, the most significant increase in sales is to EU markets.

#### Sales by regional section

	2021	2022	ΔPY%
Slovenia	12,876,793	15,874,986	+23
EU	108,643,824	144,849,232	+33
Ex YU	3,159,566	4,242,241	+34
Third countries	18,629,896	21,776,598	+17
Third countries – dollar markets	2,656,769	1,845,742	-31
<b>TOTAL</b>	<b>145,966,849</b>	<b>188,588,798</b>	<b>+29</b>

#### Share of each market in the company's total sales

Sales to the EU market are 33% higher than in the comparable period of the previous year. The outperformance was mainly driven by higher pigment selling prices and higher zinc exchange prices, which in turn impact the selling price of the product groups zinc alloys and wires. Germany is one of our key markets, accounting for 29.8% of export sales and 27.2% of total company sales. The importance of the German market has slightly decreased compared to the previous year due to the objective maturity of the market.

Sales to the markets of the former Yugoslavia increased by 34%, due to higher sales of pigment and zinc products, both in volume and value terms.

Domestic sales are 23% higher compared to the same period in 2021. The growth in sales was driven by growth in sales of all business units.

Overall, sales to third country markets are up 10% compared to the same period last year. As mentioned above, the main contributor in this segment was the higher selling price of pigment. In the dollar markets, we still maintain minimum control market shares, as larger volumes would be unsustainable due to the specific conditions, which are certainly less favourable than in the European markets.

#### Sales by geographical segment

The share of total exports in the company's total sales was 91.6% in the year under review, an increase of 0.4 points compared to the previous year. The increased share of exports relates to an increase in value sales to the key markets of Germany, Italy and France. The main share is achieved through exports of titanium dioxide pigment.

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

## 1.2 Sales by business segment

### Sales by sales programme

	2021	2022	ΔPY%
Titanium dioxide	119,091,071	156,640,019	+32
Zinc processing	4,462,273	6,654,503	+49
Varnishes, masters and printing inks	13,177,400	15,252,427	+16
Agro programme	6,423,180	6,479,895	+1
Other	2,812,925	3,561,955	+27
<b>TOTAL</b>	<b>145,966,849</b>	<b>188,588,799</b>	<b>+29</b>

During the period under review, sales of the **titanium dioxide pigment** programme reached € 156.6 million. The € 37.5m higher value sales are due to higher average selling prices. Pigment contract prices in Europe have been rising sharply since 2021, reaching a series of quarterly records. The upward trend in pigment selling prices has been moderating since the half year or has already reversed compared to June. While demand is relatively stable, there are signs that consumption is moderating due to inflation in Europe and changing consumer sentiment. In industry, reduced purchasing interest is expected. The latter is also affected by the uncertainty of natural gas supply, which is increasing concerns about the operation of the European industry. Among others, some competitors have announced or already reduced pigment production in Europe, in particular global producers with a portfolio of plants around the world, which have leased energy products at significantly lower prices in America or Asia. However, the price of energy is correlated with the price of the ancillary raw materials needed to produce the pigment.

The **zinc processing** sales programme combines the product groups zinc wire, anodes and alloys. The increase in sales mainly relates to higher zinc exchange prices and higher volume sales of zinc wire and alloys.

During the period under review, there was a 16% increase in sales of the **varnishes, masters and printing inks** product range on a like-for-like basis, mainly attributable to higher selling prices of masterbatches and powder varnishes. This is mainly due to the incorporation of higher input prices. The unviability of the printing inks product group resulted in the closure of the cost centre.

Sales of the **agro programme**, which includes sales of copper fungicides, Pepelin, copperas and Humovit, increased by 1% compared to the corresponding period in 2021. The increase is due to higher sales prices of copper fungicides. These increased significantly on the back of higher copper exchange prices and an improved sales structure. In 2022, we continue to produce a very marketable active ingredient, tribasic copper sulphate (TBCS). We are holding Humovit sales at the level of the corresponding period in 2021. The fact remains that we are dependent on local and nearby market conditions for our soil sales, as the product does not withstand the additional cost of transport to enter distant markets.

The **"Other" programme** includes sales of thermoplastics, polymers, elastomers, aggressive media transport systems (STAM), sulphuric acid, CEGIPS, merchandise, services and sales of discontinued products and product groups. The value sales of this group are 33% higher on a comparable basis. The value sales of STAM are at a similar level. The value sales of sulphuric acid are 32% higher. CEGIPS



should also be highlighted for the programmes in this group/category. We sold 112.2 thousand tonnes of CEGIPS, which is important in the context of the lifetime extension of the Za Travnik landfill.

### Share of each business unit in the total sales of the company

Over the period under review, it can be seen that the relative proportions have changed again. The share of PE Titanov dioksid is higher by 1.7 points. In line with the higher value sales of metallurgical products, PE Metalurgija's share is 0.4 points higher. The other units register a decrease.

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

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

## 2 PERFORMANCE ANALYSIS

### 2.1 Operating result

In the first nine months of 2022, an **operating result** of € 48.7 million has been achieved. This result exceeds the operating result of € 32.3 million achieved in the first nine months of 2021 by 51%. Operational performance was therefore significantly better than last year, but also significantly above the level of the business plan. This outperformance was driven by good volume sales and an increase in the selling prices of the main product. The operating result including depreciation and amortisation, or EBITDA, amounted to € 58.6 million, representing 31% of sales. Compared to the previous year, EBITDA is 39% higher.

After accounting for the impact of financial income and expenses, a **pre-tax profit** of € 48.8m is reported for the first nine months of 2022 and a profit of € 32.3m for the first nine months of 2021. The pre-tax result is up 51% on the previous year. In the first nine months of 2022, a positive financing balance of € 136.6 thousand is recorded (in the first nine months of 2021, the financing balance was negative at € 11.9 thousand). The resulting financing balance is the result of a positive exchange rate balance of € 119.6 thousand, a positive balance of investment income, and expenses and interest of € 17 thousand. The positive balance on financing is due to the forward purchase and sale of dollars and thus the effective use of hedging instruments to manage the volatile movement of the \$/€ currency pair in the purchase of titanium-bearing ores.

The **net result for the period** amounts to € 39.6 million and is 51% higher than the result for the first nine months of 2021 (€ 26.2 million). Taking into account the developments in the international economy, the titanium dioxide pigment market and, above all, the results of competitors in the titanium dioxide industry, as well as the COVID-19 situation, we consider the result to be above average and above expectations. The net result comprises profit before income taxes of € 9.3 million (effective tax rate of 19%).

### 2.2 Expenditure and costs

The structure of consumption of raw materials, packaging and energy shows significant deviations compared to the comparable period in 2021. In relative terms, the most significant increase is in the cost of energy products, which is 75% higher than in the comparable period of the previous year, due

to the current situation on the energy products market. Energy efficiency improvement measures aim at controlling this cost category.

The price ratio is changing, due to higher input prices. The purchase prices of titanium-bearing raw materials are at higher levels than in the previous year. They are also expected to increase in the coming quarters.

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

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

## 2.3 Assets

The **share of non-current (long-term) assets** in total assets decreased by 4.1 points compared to the end of 2021 to 41.6%. The largest category of non-current assets is tangible fixed assets (95.6%). Their value decreased by € 2.5 million, or 2%, for the difference between the amount invested in tangible fixed assets and the actual depreciation charged in the first nine months of 2022. Non-current financial investments remained unchanged in 2022 and comprise shares and interests in companies. Deferred tax assets also remain at the level at the end of 2021. Other non-current assets consist of emission allowances obtained free of charge from the State. Their balance as at 30 September 2022 is € 15 thousand higher than the balance as at 31 December 2021 due to the positive balance between the acquisition of the allowances for 2022 and their delivery to ARSO for CO<sub>2</sub> emissions for 2021.

The **share of current assets** in total assets increased by 4.1 points compared to the end of the previous year to 58.4%. The most important categories in the structure of current assets in terms of value are stocks (40%), cash (37%), and trade receivables together with other current assets (23%).

**Stocks** increased by 50% compared to the end of 2021, with a 66% increase in the value of material stocks (including advances), a 20% increase in work-in-progress stocks and a 20% increase in the total value of the company's finished goods and merchandise stocks (all compared to the end of 2021). The main reason for the decrease in finished goods inventories is the increased volume sales of pigment.

**Short-term financial receivables** as at 30 September 2022 amount to € 160 thousand and mainly relate to the fair value of derivatives.

**Current trade receivables** comprise 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 have increased by 12%. Trade receivables increased by 13%, while other current receivables increased by 5%. A maturity breakdown of trade receivables shows that the age structure of receivables continues to be of good quality and secured by an external institution or other form of collateral.

**Cash** (and cash equivalents) represent 37% of total current assets, with a 7% decrease in cash compared to the previous year due to the dividend payment of € 24.9 million at the end of June 2022. The value of cash is mainly due to the excellent performance throughout the year.

**Other current assets** comprise prepaid expenses accrued. The value increased by 4%.

## 2.4 Liabilities to resources

The **value of capital** in the structure of liabilities to resources as at 30 September 2022 is 78.8%, an increase of 0.2 points compared to the end of 2021. The amount of capital has increased by 8% compared to the end of 2021. The increase (€ 14.6m) relates to the difference between the net profit for the first nine months of 2022 of € 39.6m and the dividend payout on 24 June 2022 of € 24.9 million. As at 30 September 2022, the company holds 264,650 treasury shares after the split of 1:10 as at 15 August 2022 (no treasury share purchases in 2022). There were no other significant movements in capital.

In total capital, the share capital amounts to € 20,229,769.66 and consists of 8,079,770 ordinary freely transferable lump-sum shares after the split of 1:10 on 15 August 2022 (of which 264,650 are treasury shares subscribed in the treasury share pool). The book value per share as at 30 September 2022 is € 25.3 (up 7.7% since the beginning of the year at € 23.5).

**Provisions and deferred income** account for 8.8% of the payables. Provisions for pensions and similar liabilities were made as at 1 January 2006 (severance and jubilee payments) and are adjusted annually on the basis of actuarial calculations. Other provisions were established in the course of the ownership process under the environmental provision. In recent years, the following additional environmental provisions have been made: € 5 million in 2010 for the rehabilitation of the Bukovžlak solid waste landfill and € 7 million and € 5 million in 2011 for the rehabilitation of the Za Travnik landfill and the destruction of low-level radioactive waste. At the end of 2017, the provisions were scrutinised, verified and only the provision for the elimination of risks due to old loads of € 6.4 million was re-established. At the end of 2021, we re-examined the size of the provisions and made the appropriate provisioning based on actual market conditions. The volume of environmental provisions decreased by 2.5% or € 423 thousand over the period due to the dedicated increase and coverage of the costs of the above mentioned remediation projects. Non-current deferred income increased by 12%.

**Financial and trade payables** increased by 13% compared to the end of the previous year, due to a 16% increase in payables to suppliers for strategic deliveries and a 44% decrease in other current liabilities for taxes, contributions and payables to employees. The liability for income tax for the financial year 2021 as at 30 September 2022 is 19% higher than the balance at the end of 2021. All financial and operational liabilities are current in nature. The company's gross gearing ratio is 12.4%, a decrease of 0.7% compared to the situation as at 31 December 2021.

**Current financial liabilities** have no balance as at 30 September 2022 and amounted to 198 thousand at the end of 2021. The company's financial gearing ratio is therefore 0.0‰ (0.82‰ at the end of 2021).

**Current trade payables** increased by 4% over the period. Current trade payables to suppliers amounted to € 21.7 million on the last day of September 2022, an increase of 16% compared to the end of 2021, due to increased liabilities arising from the purchase of strategic raw materials. Other payables decreased by 44% (or € 2 million), mainly comprising € 1.3 million payables for net salaries and other net employment benefits, € 1.3 million payables for contributions and taxes from and on remuneration, and payables for VAT and to other institutions.

**Other current liabilities** increased by 191% over the period under review, mainly comprising accrued liabilities for annual leave and other labour costs, accrued environmental contributions and taxes, and VAT on advances made.

### 3 STAFF

As of 30 September 2022, Cinkarna had 773 employees, a decrease of 20 employees or 2.8% compared to the end of 2021. There are minor changes in the number of employees by business unit.

The average number of employees in the first nine months of 2022 is 781, an average of 27 employees or 3.0% less than the average number of employees in the same period in 2021.

In our communication with employees, we encourage open and inclusive communication between the Management Board, employees, the Works Council and the two representative trade unions. In addition to informing employees about the overall current situation, it is also very important to obtain feedback and suggestions from employees, which has a positive impact on the positive working atmosphere in the company, fosters a good organisational culture, increases company loyalty and strengthens employees' trust in the company's management.

The area of communication has also received considerable attention in the first nine months of 2022 from the Management Board, business unit managers and the Works Council, through a wide range of communication channels. We have used printed and electronic media to share information with our employees, such as: Messages from the Management Board via e-mail with the Employee News and the electronic messaging dialogue of our company mascots (Cinko and Cinka), the Informator magazine (printed version), the Cinkarnar magazine (2x a year), the Facebook and LinkedIn social networks of Cinkarna Celje are active, we also publish a trade union newsletter, we have our own Sharepoint (intranet and extranet) and we have bulletin boards, which are always interesting and active for publishing news. More than 70 bulletin boards are installed throughout the company as a means of communication.

New this year is the Moja Cinkarna (My Cinkarna) app for employees, which provides access to specific parts of the business information system. Current functionalities include ordering snacks, accessing the number of vacation days, the phone book, and viewing internal notifications. The app has been well received by employees and will be extended with new functionalities.

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

The average volume of staff absenteeism in the first nine months of 2022 has increased compared to the same period of the previous year, due to similar sickness absence due to COVID-19 compared to the previous period and a higher number of holidays taken in the current year, to ensure the smooth running of the business, up by 1.2 points to 23.7% (of which sickness absence accounted for 7.2%, representing 30.4% of total absences, or 0.2 points less than in the first half of 2021). The percentage of sick leave at company level increased by 2.1% compared to the previous year.

## 4 MOST IMPORTANT RISKS OF THE COMPANY

Cinkarna Celje d.d. is a regional company operating internationally and facing economic, social and environmental risks. In order to effectively identify risks (opportunities), evaluate, prioritise, manage, control and report on them, we have developed an integrated risk management system (SRM). It combines a number of subsystems and tools, and their coordinated operation ensures that the system works regardless of the content of the processes and hierarchical levels of the company's organisational structure.

Risks are identified and evaluated using a combined qualitative/quantitative method to determine the potential magnitude/impact and the likelihood of an event occurring. We group individual risks in a transparent way according to the following areas, and the breakdown is also used for external reporting:

- I. Sales risks
- II. Production risks
- III. Financial risks
- IV. Environmental, spatial and regulatory risks
- V. HR and organisational risks

The SRM process is continuous and we report to the external public every 3 months, as part of regular statutory reporting. The SRM is disclosed in detail in the Annual Report. The overview of key risks below is updated and defined to the situation and expectations at the time of writing.

### I. Sales risks

Product sales risk	Probability of occurrence	Amount of damage
	medium	low
Definition	The risk is linked to the possibility and ability to successfully sell products in the target markets. It relates to the increasing bargaining power of customers, the cyclical (in)stability of markets, the increasing power of competitors (due to capital concentrations) and the adequacy of the elements of one's own market mix (price, product, market, promotion). At the same time, the problem of increasing production capacity in China is becoming a long-term trend which will have a significant impact on the structure of the industry in the longer term as well. Sales of the carrier product are also partly influenced by the change in consumption habits resulting from the epidemic. The ongoing Ukraine-Russia conflict risks changing European consumption habits/sentiment.	
Management	We directly mitigate risk by expanding our sales network, diversifying our product and sales portfolio, introducing new and shortening existing sales channels, building marketing partnerships and developing new products to enter new markets and industries. In recent years, we have also been actively reducing the risk of product sales by optimising our sales portfolio in terms of eliminating products with high market risk. Through targeted technology investments, we are focusing our sales portfolio on applications and markets that are more sophisticated in content, high in quality and represent a departure from the so-called commodity markets, which are characterised by lower added value and high exposure to low-priced Chinese pigment. Indirectly, we also manage sales risks through systematic monitoring and benchmarking of relevant industries (competitors and customers), participation in marketing & industry meetings and the introduction of quality, safety, environmental and health management standards. We also manage risk by strategically developing and maintaining so-called offset markets (USA, the Middle East) where we can direct any surplus volumes, taking into account their profitability and currency ratios from time to time.	
Raw material and energy procurement risk	Probability of occurrence	Amount of damage
	high	high
Definition	The company is heavily dependent on sourcing quality and affordable raw materials and energy. These are largely standardised raw materials of a global nature (often traded on organised markets): titanium-bearing raw materials, copper, zinc and sulphur. The bargaining power of suppliers is high (with an upward trend). The risk in the long term is significant both in terms of prices and availability. The current market situation for titanium-bearing raw materials is assessed as relatively stable. The risk in the energy sector (gas and electricity) is high and significant both in the short and long term due to the extreme volatility and price movements or, in the long term, the objective scarcity of resources. In addition, there is the risk of non-availability of Russian natural gas. Price volatility risks are also increasing in the procurement of raw materials, the cost price of which is largely linked to the cost of energy. The ban on cooperation with Russian-owned refineries increases the risk of sulphur non-availability.	

Management	We manage this risk by identifying 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 state of international markets ourselves and with the help of market specialists. We maintain regular contact with suppliers with whom we do not operate, but who represent a high quality potential alternative. We are developing infrastructure, information systems, technologies and products to limit the use of key raw materials, reduce dependence on individual suppliers and limit the risk of volatility in purchase prices. Wherever possible, long-term purchasing contracts are concluded, various hedging systems are used, the consumption structure of individual energy products is balanced, energy management is implemented and ongoing energy optimisation measures/projects (ORE) are carried out. Targets for specific consumption of raw materials and energy products are incorporated as standard in the integrated management system. We have an ongoing project to minimise the risk of natural gas non-supply.	
<b>Risk of macroeconomic conditions in target economies</b>	Probability of occurrence	Amount of damage
	<b>medium</b>	<b>medium</b>
Definition	As the company operates in an unrestricted geographical area, it is also exposed to the risk of changes in regional and global macroeconomic conditions, political/security situations and even adverse climatic events. Most of the negative consequences cannot be estimated. The overall risk of macroeconomic conditions is certainly present at the moment, but we believe that we are sufficiently well prepared for any further deterioration. Extreme caution and vigilance remain necessary in view of the straining relations between Russia and the West, the complex security situation in the Middle East and the impact of the ongoing epidemic on the wider economy.	
Management	We limit risk by focusing on relatively safe and stable markets within the EU+ (more than 80% of sales), while sales outside the EU+ are spread across a broad portfolio of markets such as the US, the Middle and the Far East. We are developing a balanced sales structure in terms of risks/rewards. An important part of our risk management strategy is to be flexible in targeting sales to different geographic markets. As a result, we maintain an optimal size of the so-called offset markets. In this context, we regularly monitor macroeconomic forecasts and projections and adjust our business policy accordingly. We closely monitor developments in our individual partner countries and, together with our local partners, evaluate and adjust our business decisions on an ongoing basis. We strategically reduce manageable risks (e.g. financial risks) in order to increase our offsetting capacity against objective risks in the global economic environment.	
<b>Climate-related market risks</b>	Probability of occurrence	Amount of damage
	<b>low</b>	<b>high</b>
Definition	Our industry and the end markets in which we sell our products are subject to technological change and product improvements, and changes in product regulation from time to time. Our future growth will depend on our ability to assess the direction of commercial and technological progress in key end-use markets, and our ability to finance and successfully develop, manufacture and market products in changing end-use markets, including markets that offer solutions to 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 their greenhouse gas emissions and their overall environmental footprint. We work closely with our business partners to develop products that help us mutually achieve our sustainability goals and maintain our market position. We value collaboration to drive change and are committed to working with policy makers, our value chain and other organisations to promote collective action to reduce greenhouse gases. Each business segment of the company conducts impact assessments of market trends, integrates findings into business strategy development and reports impacts to the Enterprise Risk Management team as appropriate, depending on the magnitude and likelihood of the impact.	

## II. Production risks

<b>Risks of availability of working resources</b>	Probability of occurrence	Amount of damage
	<b>high</b>	<b>low</b>
Definition	Cinkarna Celje d.d. is a capital-intensive company and a manufacturer with a high share of continuous processes. The conditions are extremely unfavourable from the point of view of workload and utilisation of working resources (chemically aggressive substances, high temperatures, pressures, etc.).	
Management	We limit risk through a system of expertly designed/excellently organised condition-based maintenance. Special emphasis is placed on preventive maintenance, which implies excellent technical diagnostics. At critical points, operational safety is ensured by means of built-in back-up devices.	
<b>Risk of accidents, fires, uncontrolled releases of substances into the environment and accidents at work</b>	Probability of occurrence	Amount of damage
	<b>low</b>	<b>high</b>

Definition	The chemical-processing and metallurgical industries imply the risk of such accidents.
Management	<p>Risk is managed by systematically evaluating the impact on the environment and employees, periodic fire risk assessments, and by organising jobs according to risk assessment. In the area of environmental impact reduction, we have systematically implemented European environmental standards by applying the principles of the "Responsible Conduct Programme" and by harmonising our operations with the requirements of the IED and the SEVESO Directive. We carry out our processes in accordance with BAT (Best Available Techniques). In the area of fire safety, we have our own organised fire brigade and the company is adequately insured against fire. In the area of accidents at work, we have a professional service organised to monitor compliance with health and safety rules and measures. We provide regular training and education for our employees. The company is insured against liability for damages. We conclude written agreements with external contractors and train them. We have engaged a permanent Health and Safety Coordinator. We have introduced work instructions for carrying out maintenance operations in terms of fire prevention, accident prevention and improving the cleanliness of the working environment. Since 2009, we have had ISO 14001 environmental management and ISO 45001 health and safety management systems in place, certified and monitored by an accredited institution.</p> <p>Part of the company also certifies its environmental compliance by registering in the EMAS register at the Ministry of the Environment. A risk assessment with a protection and rescue plan is in place. Process risks to the environment, safety and health are identified and addressed through annual framework and performance targets. Evacuation drills are carried out according to the programme.</p> <p>In 2020, we prepared an environmental risk assessment audit in accordance with the SEVESO Directive and in early 2021 we received a decision confirming the adequacy of the audit. As part of the project task, we have set up a register of the necessary actions resulting from the new design to ensure systematic implementation.</p> <p>We are carrying out a comprehensive rehabilitation of the Bukovžlak non-hazardous waste landfill, reducing the potential for accidents in this area.</p>

### III. Financial risks

Currency risk	Probability of occurrence	Amount of damage
	low	low
Definition	Cinkarna Celje d.d. purchases and sells on the world market and is therefore exposed to the risk of unfavourable cross-currency exchange rates. In particular, the €/€ exchange rate. As most of the sales are made in euro, the exposure is particularly acute for the dollar-denominated purchases of titanium-bearing ores and, occasionally, copper compounds.	
Management	We continuously monitor movements and forecasts regarding the dynamics of the €/€ currency pair. Based on market data and the prices of financial instruments (hedging costs), we continuously determine the strategy (method and extent) of cash flow hedging. Basically, we limit the risk of adverse changes in the \$ exchange rate in two ways. We cover part of the exposure through operational hedging, i.e. currency matching of sales and purchases, and systematically limit the risk of short-term fluctuations through the use of short-term financial instruments (mainly dollar futures).	
Credit risk	Probability of occurrence	Amount of damage
	medium	low
Definition	It is the risk of possible default by buyers, which means that buyers default or fail to pay their contractual obligations as they fall due. The risk is limited as we mainly deal with long-standing partners, often well-known traditional European industrial companies with a high credit rating. In recent years, we have observed that payment discipline in Slovenia, the Balkans and Eastern Europe has been relatively weak, but we do not expect any further exacerbation of problems in this area in the coming period. The realignment/reorganisation of the portfolio of the company's strategic business areas, specifically the discontinuation of the Graphic Repro Materials programme, the Rolled Titanium Sheet programme, the Anti-Corrosion Coatings programme and the Building Materials programme, has significantly reduced the exposure to credit risk. In the context of credit risk, it is important to note the implications of the uncertain outcome of the epidemic and the associated changes in consumer habits.	
Management	We limit risk by developing long-term partnerships, established credit checks on new domestic and foreign customers, selecting reliable customers, and periodically monitoring and verifying the business health of our customers. We also apply a credit limit system which limits the potential for damage in a systemic way. We have a department (with appropriate IT infrastructure) in place to dynamically monitor the maturity of outstanding receivables, the status of overdue receivables and their recovery. We also cooperate with external providers of such services in mediation, judicial and out-of-court recovery. We use payment security instruments individually (receivables insurance, advance payment, bill of exchange, cheques, documentary credit, bank guarantee and documentary direct debit).	

### IV. Environmental, spatial and regulatory risks



Rehabilitation of the Bukovžlak non-hazardous waste landfill site	Probability of occurrence	Amount of damage
	low	high
Definition	<p>In the last quarter of 2010, the Management Board of the company took the decision to exclude the Bukovžlak non-hazardous waste landfill from the OVD application due to the high financial burden and the limited availability/capacity of the landfill and to initiate the closure process immediately.</p> <p>Comprehensive rehabilitation is needed to ensure long-term safety and minimise negative impacts on the environment.</p>	
Management	<p>We have made an environmental provision of € 5 million against the 2010 profit or loss. We have obtained an OVD permit for the closure period of the landfill (30 years).</p> <p>In 2016 and 2017, the first phase of the overall rehabilitation – reinforcement of the barrier body – was carried out.</p> <p>Further work on the preparation of the project documentation showed the need for additional interventions that were not foreseen at the time the provision was made in 2010, so an additional provision of € 782,563 was made at the end of 2017.</p> <p>In accordance with the integral construction permit, the remaining phases of the comprehensive rehabilitation (capping, dewatering, central and western drainage, diversion embankment) were started in June 2020. In terms of risk management, the most challenging operation, the construction of the J20 shaft, was completed by the end of 2020.</p> <p>Interim investigations have shown the need for additional remediation works in the area of drainage C1, which drains the high Bukovžlak dam but runs along the edge of the ONOB, and the construction of a sealing curtain in the NE ONOB to prevent the spread of contaminated groundwater to downstream areas. The prices of materials and services have also increased significantly during the 2021 timeframe. In order to cover these additional remediation works and the expected increase in costs, an additional provision of € 3,452,592.32 has been made in the 2021 result.</p> <p>A test field for drainage C1 has been constructed. The design for the complete drainage is under construction. The works are planned to start in the last quarter of this year.</p> <p>The overall scope of the rehabilitation is extended at least until 2024 due to additional design and implementation work on the C1 drainage and the sealing curtain.</p>	
Availability of the waste disposal facility "Za Travnik"	Probability of occurrence	Amount of damage
	low	high
Definition	<p>There is a limited time until the Za Travnik waste disposal facility is dry. It depends on the free volume, the amount of pigment production and the amount of by-product extracted. Filling of the waste disposal plant means that titanium dioxide production is stopped.</p>	
Management	<p>We produce the maximum amount of CEGIPS possible, reducing the amount of red gypsum for disposal.</p> <p>The integral permit for the rehabilitation of the Bukovžlak non-hazardous waste landfill confirms the use of red gypsum for the construction of an impermeable cover and the construction of a diversion embankment.</p> <p>A revision of the red gypsum filling project for the Za Travnik waste disposal plant has been carried out, aimed at a more optimal filling (higher natural settlements). In light of the changed conditions (higher white gypsum removal, different crystal structure, settlements), a new estimate of the available filling volumes has been made.</p> <p>All these measures increase the time to fill. With regard to Article 9 of the "Ordinance on the Zoning Plan for the Landfill Site Za Travnik" in the Municipality of Šentjur, we have initiated the procedure for the Amendment and Supplement to the Zoning Plan for the Landfill Site Za Travnik. The documentation for the submission of the petition is being prepared. In parallel, we are looking for ways to reduce the dependence of production on the volumes available for filling.</p>	
Ensuring the stability of barriers	Probability of occurrence	Amount of damage
	low	high
Definition	<p>Barriers pose a risk in the event of collapse. A strong earthquake is a particular risk.</p>	
Management	<p>We carry out the required monitoring, which is analysed once a year by experts from the Faculty of Civil and Geodetic Engineering in Ljubljana. All recommendations are followed up in the form of ongoing maintenance work. Demolition wave projects have been drawn up.</p> <p><b>Za Travnik high embanked barrier</b> The technical observation network at the Za Travnik barrier was completed and the primary and secondary geodetic observation networks were renewed. Additional protection and drainage measures</p>	



	<p>on the eastern flank are planned. On the basis of the data from the new observation boreholes, a water balance will be commissioned for any necessary measures on the western bank of the barrier. As a result of the improved situation following the rehabilitation works carried out in previous years, the environmental provision has been reduced to € 450,000 on the basis of an expert assessment of the work still needed. In light of the revision of the necessary works, material and service costs, we have increased the provision by € 15,921.41 against the 2021 result. The PZI documentation for the implementation of the measures has been ordered. In 2022, the provision has been increased by € 59,144.</p> <p><b>Bukovžlak high embanked barrier</b> Regular maintenance is carried out on the Bukovžlak high red gypsum barrier. At the end of 2017, a provision of € 3 million was made for a more comprehensive rehabilitation of this barrier.</p> <p>In 2018, new observation bores were drilled on the eastern flank of the barrier body, and observations started in 2019. Based on the data obtained, we will prepare a plan for the remediation intervention. In line with what we have learned so far, and taking into account the increase in the prices of materials and services, we have revised the resources needed. In line with the result of the audit, we have additionally charged an environmental provision of € 232,700.00 against profit or loss for the site in 2021.</p> <p>A conceptual design has been drawn up for lowering the level of the barrier, which would significantly contribute to increasing its safety. We also carried out an improvised lowering of the level to obtain data for further work. Seismic monitoring of the high Bukovžlak barrier was established. The PZI documentation for the lowering of the spillway channel, the outlet trench and the measuring point has been commissioned.</p> <p><b>ONOB embanked barrier</b> The rehabilitation of the Bukovžlak non-hazardous waste landfill (ONOB) barrier was carried out in 2016 and 2017. The full rehabilitation of the entire landfill started in June 2020, which will further improve the stability of the barrier in the long term. Details are recorded under the ONOB Remediation risks.</p>	
<p><b>Environmental due diligence – removing old burdens</b></p>	<p>Probability of occurrence</p> <p><b>low</b></p>	<p>Amount of damage</p> <p><b>medium</b></p>
<p>Definition</p>	<p>The results of the Environmental Due Diligence - Phase II showed that the existing production site in Celje is built on waste from past activities. The disposed waste has an impact on groundwater, which may affect human health and the environment.</p>	
<p>Management</p>	<p>We have carried out several parallel activities to determine the potential impact on human health and the environment and kept the public informed of the results. We have drawn up a comparison between the requirements of Slovenian, German and Dutch legislation and a summary of the work carried out, and have informed MOP of the documents. MOP's response states that the current environmental legislation does not prescribe measures, and that Cinkarna is therefore free to develop its own measures.</p> <p>In light of the above, the Management Board commissioned an audit of the legal opinion. CDM Smith has been commissioned to prepare a proposal for technically feasible remediation measures with a feasibility assessment for one of the most concentrated points of contamination at the current production site. The proposed measures do not give the expected result in terms of input, so an alternative option was sought - treatment of the contaminated groundwater at the existing waste water treatment plant to neutralise the acid waste. An application for the implementation of pumping wells is being prepared.</p>	
<p><b>Potential shortage of process water</b></p>	<p>Probability of occurrence</p> <p><b>high</b></p>	<p>Amount of damage</p> <p><b>high</b></p>
<p>Definition</p>	<p>During the dry months, the supply of process water may be interrupted due to too low ecologically acceptable flow rates.</p>	
<p>Management</p>	<p>We carry out continuous measurements of flow and pumping volumes, as required by legislation.</p> <p>We have obtained a water permit from DRSI, which specifies the ecologically acceptable flow during two periods – dry and wet.</p> <p>Given the lengthy procedure with an unpredictable outcome, we have set ourselves the task of verifying the provision of process water from other sources in 2020. The project task has shown that the existing reservoirs of Šmartinsko and Slivnik Lake are not a feasible solution due to other uses, environmental requirements and inadequate capacities. The construction of reservoirs is not an economically viable solution.</p> <p>At the time of the collection of initiatives for the preparation of the Water Management Plan for the next period, an initiative was submitted to the Ministry of the Environment and Spatial Planning (MOP) for the transformation of this part of the water body into a heavily modified water body (MPVT), which is subject to different criteria for the determination of the environmentally acceptable flow. The Ministry 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 the Tremerje WWTP. A one-year pilot experiment to determine the impact of the chosen treatment technique will follow.</p> <p>In the event of a critical drop in flow below 'Oes', we physically enabled and obtained permission for temporary use of drinking water for technological purposes. By partially using internal recyclers, we have already reduced the specific water consumption by approx. 20%. We are continuing the task of using internal recyclers.</p>	
<b>Chemicals strategy for sustainability</b>	Probability of occurrence	Amount of damage
	<b>low</b>	<b>medium</b>
Definition	<p>On 14 October 2020, the European Commission adopted the Chemicals Strategy for Sustainability. The strategy is part of the EU's zero pollution drive, a key commitment of the European Green Deal, and aims to better protect citizens and the environment from harmful chemicals, and to stimulate innovation by increasing the use of safer and more sustainable chemicals. The introduction of activities stemming from the EU Sustainable Chemicals Strategy (CSS) in existing EU chemicals legislation (CLP, REACH, IED) and in sectoral legislation for different uses (FCM, cosmetics, toys, inks) risks limiting the use of our products due to the impact of the new requirements of this legislation (e.g. The new hazard classes in CLP, Generic Risk Assessment (GRA), One Substance One Assessment (OSOA), Mixture Assessment Factor (MAF), Essential Use (EU)), or the costs to satisfy all changes, and to produce the hazard assessments required by the changes in legislation. The raw materials (chemicals) used to manufacture our products may also be affected by these changes.</p>	
Management	<p>We are monitoring the adoption of the individual new requirements arising from the CSS through our association TDMA and the Chemical Industry Association – CSS Platform. We are reviewing the impacts on TiO2 products in different application areas (Eco-labels, Food contact, Toy manufacturing, Paints and varnishes, etc.). We are working with suppliers to identify the risks of new requirements for chemicals used as raw materials.</p>	
<b>Risk of TiO2 use restriction for food contact materials</b>	Probability of occurrence	Amount of damage
	<b>low</b>	<b>medium</b>
Definition	<p>The proposed changes to the legislation for food contact materials (migration limit below 10ppb, ban on carcinogens, mutagens and substances hazardous to reproduction, which may also cover category 2) may trigger restrictions and reductions in the use of food contact products (RC 819, RC 818, RC 813) which may have an impact on business performance.</p>	
Management	<p>We are members of a working group formed within our association TDMA, through which we monitor the development of legislation in this area and, where possible, provide expert clarifications.</p>	
<b>Climate-related legal risks</b>	Probability of occurrence	Amount of damage
	<b>medium</b>	<b>high</b>
Definition	<p>Our operations and production units are subject to extensive environmental, health and safety laws, regulations and enforcement at national, international and local levels, in a wide range of jurisdictions, relating to pollution, environmental protection, climate change, transport and storage of raw materials and finished products. As an energy and emissions intensive business, Cinkarna may be subject to existing and emerging regulations that focus on energy use and efficiency and emissions reduction. Such regulations could result in significant additional compliance costs, including increased purchased power costs, additional capital costs for the installation or modification of GHG-emitting equipment and/or additional direct costs associated with GHG emissions (CO2 credits). Our results of operations could be adversely affected by litigation and other liabilities and unforeseen events. As a public company, Cinkarna is required to disclose detailed financial reports in accordance with applicable laws and standards, which also include descriptions of significant risks.</p>	
Management	<p>Cinkarna has processes in place with various departments and organisational units to monitor regulations and provide inputs for consideration in the enterprise risk management process. Legal risks and potential litigation are closely monitored and managed in relation to providing transparent and consistent information to shareholders, including those matters that may be relevant and related to climate change.</p>	
<b>Climate-related technological risks</b>	Probability of occurrence	Amount of damage
	<b>medium</b>	<b>high</b>
Definition	<p>Our industry and the end markets to which we sell our products are subject to technological change and product improvements from time to time. Our future growth will depend on our ability to assess the direction of commercial and technological advances in key end-use markets and our ability to finance and successfully develop, manufacture and market products in such changing end-use markets. Failure to keep pace with evolving technological innovations, including innovations relating to the development of alternative uses for, or the use of developed products that utilize such end-use products, could adversely affect our financial condition and results of operations. Technology is critical to a company's ability to address the risks associated with climate change. The Company has mature, large capital-intensive assets that are energy and emissions intensive. There is little innovation in most of these technologies, making technological change a challenge. Alternatives to reduce emissions, such as carbon capture and storage, process use or electrification, are cost prohibitive and at this point largely unproven.</p>	

Management	The company is constantly looking for new technologies, assessing and taking into account market and technology trends to reduce emissions and to identify opportunities to improve product performance and/or develop new products that also address climate risks.	
Reputational risk	Probability of occurrence	Amount of damage
	<b>low</b>	<b>high</b>
Definition	<p>Stakeholders expect us to act responsibly and proactively on 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-focused customers perceive that Cinkarna's business activities are not aligned with the growing global momentum for action on climate change, this could pose a reputational risk to the company, which could lead to disengagement, lower sales and reduced market value.</p> <p>This aspect of our reputation could also be important from an employer branding perspective, as it affects our ability to attract and retain new, particularly young, employees.</p> <p>Reputational risk is also linked to the possibility of industrial accidents with an environmental impact.</p>	
Management	We are preparing a sustainability report for 2022. In 2023, we will produce a sustainability strategy. The company has processes in place and has designated PR officers. We are implementing preventive measures to avoid increased emissions and industrial accidents in line with the requirements of the IED and SEVESO environmental permits.	
Climate-related acute physical risks	Probability of occurrence	Amount of damage
	<b>low</b>	<b>high</b>
Definition	The company operates 5 production units in Slovenia, which are not prone to the acute physical impacts of climate change. Changes in physical climate parameters could lead to extreme weather conditions that could pose a risk to our production capacity and supply chains in the future.	
Management	Our Crisis Management and Business Continuity Plans and Emergency Preparedness Plans detail the actions to be taken in the event of natural disasters or extreme weather events.	
Chronic climate-related physical risks	Probability of occurrence	Amount of damage
	<b>medium</b>	<b>high</b>
Definition	Production processes depend on sufficient quantities of good quality water for production and cooling purposes. The supply of the strategic raw material (titanium-bearing raw materials) is trans-oceanic. Chronic effects of climate change such as drought, rising/falling water levels, rising temperatures and changing rainfall patterns can affect the production units.	
Management	The company has processes in place, by department and by individual, to monitor developing water supply issues and/or potential chronic impacts of climate change and 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
	<b>low</b>	<b>medium</b>
Definition	The nature of the company's business is inherently complex and specific, operating in a number of unrelated industries while supplying end-customers in a wide variety of industries. As a consequence, there is a risk of building, interacting and, above all, transferring a lot of managerial, engineering and support 'know-how' within the company. These are risks related to the staffing structure, as well as to the system of continuous learning and transfer of acquired knowledge and information, i.e. the functioning of communication channels and structures. Human resources risks are also identified in: the limiting effect of the high average age of employees, inadequate education and training of employees, the drop in operational efficiency due to the high number of disabled persons, increased absenteeism, the negative consequences of work-related injuries and accidents, and the shortage of suitable labour on the market.	
Management	At all levels of the company's organisational structure, we train and prepare responsible successors to take over key functions through a targeted programme. At all levels of the business units, continuous communication, information and coordination between all key personnel ensure an adequate flow of information from key management and expert areas. Successors are actively involved, engaged and actively aware of the operations and issues involved in ensuring the smooth functioning of business functions and processes. This ensures, with the support of expert services, the smooth takeover of key functions in the company in the event of foreseeable as well as exceptional events (illness or prolonged absences, resignations and retirements). We are continuing our policy of productive recruitment and reducing the percentage of unskilled labour. We are improving the skills of our employees by investing in staff development and training. We are implementing a system to identify potential hazards and take action when near misses occur.	
Ensuring business continuity during the COVID-19 pandemic	Probability of occurrence	Amount of damage
	<b>high</b>	<b>high</b>

Definition	Due to the global pandemic of the COVID-19 virus and the subsequent development of the virus in Slovenia, the internal business environment was exposed to a large number of contractors, both employees and external contractors, which, in the event of a virus infection in individual production organisational units, poses a risk to the system of ensuring the smooth operation of the company. The system of taking a set of measures and internal testing of employees ensures the stability and reliability of human resources in the event of a pandemic and the risk of COVID-19.	
Management	We have taken a number of measures in many areas of the company's business and organisational structure, with a range of measures and protocols in place to ensure the smooth running of the company and targeted communication channels with employees. We have limited or minimised contact with external partners and contractors, adapted internal processes to ensure the minimum number of employees on the job, timed shift work, limited contact in handing over shifts, ensured a certain reserve of critical crews, introduced work reassignment instruments and working from home, adapted the catering facility, established protocols for on-line communication, banned gathering of people, and established a system of self-supply of disinfectants and protective masks, while ensuring the external procurement of personal protective equipment, while complying with all the measures taken by the Government of the Republic of Slovenia and the National Institute of Public Health (NIJZ). We have set up an in-house rapid antigen test system and actively informed employees of the measures and protocols in place within the company. These measures ensure the smooth operation of the company in the event of possible infections, quarantines and self-isolation of employees.	
<b>Risks related to the human rights policy</b>	Probability of occurrence	Amount of damage
	<b>low</b>	<b>high</b>
Definition	Failure to comply with the human rights policy risks reputational damage, rejection by the public and stakeholders, loss of business, litigation and a poor organisational climate.	
Management	We stand for tolerance, mutual respect and respect for basic human rights. We reject any form of mistreatment, harassment or discrimination. We act ethically and professionally and in accordance with the values of society. Recruitment and staffing is based on the principle of non-discrimination and equal opportunities. Personal data is protected in accordance with applicable law. We respect the right to organise and promote dialogue between social partners. We have appropriate procedures or activities in place in the event of perceived illegal or unethical practices. The company has adopted a policy on prohibition of sexual and other harassment and ill-treatment in the workplace. The company has a designated officer to receive reports, provide assistance and information.	
<b>Risks related to anti-corruption and anti-bribery policies</b>	Probability of occurrence	Amount of damage
	<b>low</b>	<b>high</b>
Definition	Failure to comply with an anti-corruption and anti-bribery policy puts the company at risk of reputational damage, public and stakeholder backlash, business damage, loss of business, litigation and a poor organisational climate.	
Management	In making business decisions and in all actions on behalf of the company, employees consider the best interests of the company before their own interests or those of third parties, taking into account competition only in a fair and honest manner. Donations and sponsorships are made solely in accordance with the company's mission, vision and values, mainly in the sports and cultural fields. Appropriate and expected conduct is defined by the Code of Ethical Conduct and Work. A mechanism is in place to disclose or report possible misconduct.	

## 5 DATA ON SHAREHOLDERS AND OWNERSHIP STRUCTURE

### 5.1 Ownership structure

The share capital of Cinkarna Celje d.d. amounting to € 20,229,769.66, is divided into 8,079,770 ordinary freely transferable ordinary shares. The company's treasury stock at the end of the period comprised 264,650 shares (or 3.28% of the total issue). The number of shareholders at the end of the period was 2,179. The ownership structure at the end of the period is shown in the table below.

#### Share ownership structure of Cinkarna Celje d.d.

	No. of shares	%
Modra zavarovalnica, d.d	1,629,630	20.17
DUTB, d. d	1,045,040	12.93
SDH, d.d	929,500	11.50
UNICREDIT BANK AUSTRIA AG - FID	364,840	4.52
TR5 d.o.o	293,170	3.63
Own shares	264,650	3.28
KRITNI SKLAD PRVEGA POKOJNINSKEGA SKLADA	167,050	2.07
RAIFFEISEN BANK AUSTRIA D.D. - FID	161,460	2.00
NLB SKLADI - SLOVENIJA MEŠANI	106,420	1.32
CITIBANK N.A. - FID	106,100	1.31
Generali Galileo, mešani fleksibilni	85,110	1.05
Internal shareholders - FO	60,732	0.75
External shareholders - FO	1,732,575	24.44
Other	1,133,493	14.03

## 5.2 Trading in shares

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

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

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

The value of the share of Cinkarna Celje d.d., listed in the first quotation of the Ljubljana Stock Exchange (CIGG), fluctuated between € 22.4/share and € 32.0/share during the period under review. From the last trading day of 2021 to the last trading day of the period under consideration, the value of the share is 10% lower.

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

## 6 FOUNDATIONS OF DEVELOPMENT

### 6.1 Investments

In the first nine months of the year, we spent € 6.95 million on investments, the purchase of fixed assets and replacement equipment, and environmental investments, representing just over 48% of the planned budget for 2022.

The investment outturn is 40%. We are behind schedule due to a conglomerate of factors, the most important of which are the search for a suitable solution, the documentation procedures, the long delivery times and the lack of human resources. For replacement equipment, the realisation is 77.3%. Here we are much more in line with the plan, mainly due to the sharp increase in delivery times. In fact, stock-outs of materials can seriously jeopardise our operations. The largest deviations from the plan are in the area of purchases of fixed assets, where realisation is 29%. The reasons for the underperformance are similar to those for investments.

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

The third line of the second acid neutralisation stage is ready for technical inspection. An additional sand mill for grinding the calcinate after wetting has been delivered. Installation is in progress. Planned work on the implementation of dust control measures in the titanium dioxide production plant is continuing. An additional flocculant unit has been installed to allow the addition of a different flocculant to accelerate the settling of the suspensions at the White Section and Final Processing.

We continue to successfully build solar power plants. On the energy front, we have also invested in the optimisation of the steam pipeline and the preparation of the installations to enable the firing of one of the ELKO calcination furnaces.

We also carried out investment work on the rehabilitation of individual facilities (TiO<sub>2</sub> Operational Maintenance Building – Phase III, replacement of windows in the powder coating plant at PE KM).

The main part of the funds planned for the use of environmental provisions (21.8%) was earmarked for the rehabilitation of the Bukovžlak Non-hazardous Waste Landfill. A test field for the new C1 drainage under the Bukovžlak high embankment barrier was carried out and an expert report on the implementation was obtained, which is the basis for the design of the complete drainage line.

### 6.2 Development activity

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

#### **Sustainable development and circular economy**

See the section on Environmental management for more details.

#### **Diversification of production programmes**

We are looking in more detail at the possibilities for the production of LFP batteries, PTFE medical devices, and the potential for applying the knowledge gained in this work to fuel cell parts. We have carried out the waste acid re-concentration project through to a feasibility study.

#### **Determination of the maximum possible production volume of titanium dioxide**

The content and organisation of the project task is formulated. Individual limiting factors are identified and analysed, and possible ways to manage them are defined. Model calculations are made to identify bottlenecks at different capacity levels and emission projections are made. The equipment required is planned to be fitted into existing floor plans and a cost table is drawn up at the same time.

#### **Development of products based on nano TiO<sub>2</sub>**

We have sourced competing coatings and carried out a market analysis of the shares, prices and applications of antimicrobial (S/F) coatings. Testing of competing coatings is underway and negotiations with potential partners for the development and use of S/F coatings are ongoing.

#### **Development of a copper hydroxide synthesis process**

Copper hydroxide is one of the planned new products in our range of copper-based plant protection products. Synthesis trials are underway at laboratory scale. The product of semi-industrial testing does not yet meet all quality requirements.

#### **Development of chemically resistant thin-film dispersions suitable for Ex applications**

We do not have this type of coating in our production and processing of fluorinated thermoplastics, but there is a demand for it in the market. The aim is to introduce the appropriate type of dispersion into production, thereby increasing supply and sales volumes. We have sourced the material, validated its suitability and put it into production.

#### **Development of powder varnishes**

Development of a powder varnish with increased outgassing capability. The need is expressed on previously hot-dip galvanised elements. A powder varnish of the appropriate quality is developed and the sample is quality certified by the customer.

#### **Development of masterbatches**

In line with new trends in the use of plastics, we want to develop a masterbatch based on a biopolymer that will make polymer products biodegradable. We have developed a masterbatch based on a bio-based polymer with a high TiO<sub>2</sub> content. The product has been tested at the Faculty of Polymer Technology. Biodegradability was achieved after 34 days.

We currently only produce masterbatches for indoor use. However, this year we will also develop a masterbatch for external use. We have acquired a competitive UV-stable TiO<sub>2</sub> sample, but our own trial production of such a pigment has not yet started. The masterbatch samples produced with the competing TiO<sub>2</sub> sample are being tested in a weather chamber.

#### **Integrated management of water from titanium dioxide production**

We have prepared a larger quantity of barium sulphate in the laboratory for test samples in customer applications. Initial reactions to the quality are positive.

Activities are underway to return overflow water from the Bukovžlak reservoir for reuse in production.

Pilot attempts to carry out reverse osmosis by recycling wastewater after condensation of flue gases from ore dressing have not yielded positive results. Several internal recyclers have already been set up, reducing water consumption by around 20%.

## **6.3 Quality assurance**

We carry out internal audits of our Integrated Management System in line with our annual plan. We audit the business units and departments that have not been audited recently and review the completion of actions and the effectiveness of previous audits.



The external auditors carried out an audit of the compliance of our integrated management system with the ISO standards for 2022 at the end of May. They noted one minor non-conformity, which we immediately corrected, and they made some recommendations for improvement.

The number of customer complaints and comments is regularly monitored and responded to with corrective action. Complaints are rare.

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

The project to develop a business continuity plan is also part of the broader corporate quality assurance framework. Due to a number of newly emerging circumstances and the resulting priorities, we are targeting it primarily at the currently relevant areas of electricity and gas supply and the provision of key raw materials in the face of the possibility of supply chains being disrupted by the energy crisis.

Continuous improvement, dictated by quality standards and guidelines, is the driving force behind progress and continuous improvement in all areas of the company. The CC UM system for collecting useful suggestions triggered 0.15 improvements per employee in the first half of the year.

## 6.4 Environmental management

In the area of the environment, we have three sets of indicative targets for 2022. They aim to address environmental risks, sustainable development and ensuring regulatory compliance.

### I. Actions to address environmental risks

Measures to address old encumbrances on the company site are continuing. We have presented the planned measures to the DRSV. Additional information is required for the preparation of the application, which will be prepared in cooperation with CDM.

Work is underway to rehabilitate the Bukovžlak non-hazardous waste landfill site, including new C1 drainage under the Bukovžlak high embankment barrier. Some works are delayed. Based on the report on the results achieved in the test field, the design documentation for the entire C1 route and the sealing curtain is being prepared.

Detailed monitoring of the condition of the Bukovžlak Waste Disposal Facility due to the influx of leachate from the gypsum filtration plant is being carried out and, due to the intermittent nature of the leachate influx, will continue in 2023 to provide data on the potential impact at all times of the year.

We are building a washing platform for lorries (PZI documentation is ready) and upgrading the anti-dust measures at the disposal plant Za Travnik (call for tenders for the installation of new pipes on the W side).

The adhesives storage area at PE Polimeri has been cleaned up, eliminating an identified risk to the environment.

### II. Sustainable development and circular economy

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

#### 1) Use of renewables

Installation of additional solar power plants (two solar power plants conceived last year with a total rated capacity of 1.5 MWp) for a total generation of 3.5 MWp of electricity – installation of the planned

additional solar power plants is underway and is expected to be completed by the end of October, followed by commissioning.

For the task Selection and Implementation of a Technique for the Use of Waste Heat on S-acid, the external contractor has carried out measurements and prepared a conceptual design of possible measures, thus bringing the task to a conceptual conclusion.

For the objective to develop a conceptual design for the recovery of waste heat from flue gases after calcination, a full report on the findings is being prepared.

#### 2) Carbon footprint

We have calculated the organisation's carbon footprint for 2021 in accordance with the GHG Protocol and SIST EN ISO 14064 (Part 1, 2, 3). PE Kemija Mozirje calculated the carbon footprint for 5 white and 5 coloured powder varnishes and 5 white and 5 coloured masterbatches using a methodology that does not comply with the above standards. The carbon footprint calculation will be repeated with the above standards only for those products in PE Kemija Celje and Kemija Mozirje where market demands arise.

The possibility of using CO<sub>2</sub> from neutralisation in the production of titanium dioxide for various applications both inside and outside the company is being examined.

#### 3) Energy efficiency

We have selected a contractor and commissioned an energy and mass balance of titanium dioxide production and identified potentials for reducing specific energy consumption. Process-specific data and bases are being prepared, with calculations being made. Solutions are also being sought for the implementation of batch processes depending on the availability of steam from the acid production. The project is in its final phase.

We have carried out some activities to increase the throughput of the steam pipeline and thus the possibility to increase the steam utilisation, but the installation of a shut-off valve is still needed, which requires a shutdown of the entire production for a few hours.

The technical details for the procurement and replacement of dry-type transformers in TP 7-10 Neutralisation have been distributed. The contract for supply and replacement has been signed, to be delivered in May 2023.

In total, seven (out of a planned ten) old electric motors have been replaced with energy-efficient ones.

Replacement of obsolete lighting with more energy-efficient lighting in PE KC has been carried out and is still underway in PE Polimeri. We have replaced the windows in the PL facility in PE Kemija Mozirje.

#### 4) Quantity of waste

We are taking action to achieve the target ratio of dry gypsum per tonne of calcinate produced.

Actions are underway to reduce organic waste from food preparation (food waste) – a reduction of 9.4%.

#### 5) Reuse of materials

A conceptual design of an alternative option for the supply of process water from the Tremerje WWTP has been prepared, as well as IZP documentation for the siting of the pipeline with a cost estimate. We are awaiting the construction of the pilot plant. Tests are expected to start in January 2023 for a period of at least one year.

In the project to recover copper deposits from fishing nets, ash samples were obtained from the manufacturer and laboratory dissolution tests were carried out. An industrial trial has also been successfully carried out and activities for regular and optimal use are continuing.

In the process of recovery for reuse, elements of the Schnackenberg system at the ore splitter and the Venturi washer in the flue gas cleaning process after calcination are removed during the overhaul.

With the help of an external partner, we are verifying the recovery of 23% sulphuric (IV) acid waste. We carried out a rough estimate of the costs (CAPEX, OPEX) of setting up the technology, and a feasibility study.

As part of the Integrated Water Management project, activities are underway to further recycle water. Certain activities have already been implemented and evident savings have been achieved.

Activities are underway for the consumption/integration of waste varnish powder.

PE Polimeri is introducing a system for servicing worn-out ball valves at customers' premises.

#### 6) Reducing emissions to the working and outdoor environment

The upgrade has increased the efficiency of the sulphur smelting treatment plant. The input material varies a lot, so we are looking for additional ways to optimise the plant's performance.

A contract is signed for the installation of dust filters as part of a project to reduce dust sources in titanium dioxide production. Implementation is underway.

#### 7) Supporting social activities in the local community

We pursue our goal through targeted sponsorship and donations, especially in the local environment. The level of funding is on a par with the same period last year.

### **III. Maintaining/ensuring regulatory compliance**

The preparation of an initiative/proposal for the amendment of the zoning plan for Za Travnik is in its final stage. As part of our membership in the TDIC consortium, we are implementing the activities required by the REACH evaluation process of the TiO<sub>2</sub> dossier and REACH registrations required outside the EU (Korea, Turkey, UK). We have prepared and submitted the documentation for the re-registration of Cu fungicide. A decision is expected by the end of the year.

We have carried out the planned activities to establish control of EX mill flaps in the production of powder varnishes and obtained a certificate of compliance of the varnish for food contact.

The PZI documentation for the upgrade of the storm water sewerage system with oil interceptors has been drawn up and the priority OLS have been finalised, which will be installed this year in accordance with the funding plan, and the contract for the start of the construction of Phase I has been signed.

Activities are underway to amend the environmental permit according to the IED - implementation of the requirements of the BAT CWW conclusions (implementation of additional wastewater sampling, preparation of the monitoring programme and other required amendments).

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

We have dealt with two complaints from the public, one about black smoke. After checking, it turned out that it was not from our company (also found by the complainant himself). The second complaint concerned rust spots observed on a car that had been parked for several days in a car park at a distance of about 1 km NW of the company. No link was found. All questions were answered.

In line with legislative requirements, all monitoring reports for 2021 were prepared and submitted on time. There were no exceedances of limit values. We participated in the preparation of new legislative amendments and BREF documents (IED Regulation, Waste Regulation, BREF-LIVIC S: titanium dioxide production) and monitored all other amendments (HPA-2, IED-2, Waste Regulation, etc.).

In February, we obtained the POR certificate for 2021/2022. All the obligations to obtain the POR certificate again have been fulfilled, but the POR certificate for 2022/2023 has not yet been granted. We participated in the Ecovadis Sustainability Rating questionnaire with a universal scorecard measuring performance against indicators in the areas of environmental protection, human rights, employee health, ethics and sustainable sourcing. We received a score of 63 out of 100, earning us a silver rating.

We have taken an intensive approach to raising awareness of the importance of sustainable development and to carrying out activities in this area. Four training courses were held:

- General on sustainable development and the regulatory framework
- Introduction to GRI Standards and preparation of the Sustainability Report
- Developing a materiality matrix
- Reporting according to the Taxonomy Regulation.

A materiality matrix is being developed and a GRI-compliant sustainability report is being prepared, which will also form the basis for subsequent corporate sustainability reporting for 2022 and for reporting under the Taxonomy Regulation for the first two climate-related environmental targets. We have also prepared a report on GHG emissions under the GHG Protocol for 2021 (corporate carbon footprint - GRI INDICATOR 305:1-3, TCFD, GHG Protocol) arising from the activities of Cinkarna Celje d.d., and we calculated the carbon footprint for the carrier product titanium dioxide.

## **6.5 Safety and health**

There have been no serious work-related accidents in the first 9 months. We dealt with 5 minor accidents, 1 less than in the same period last year.

We have a system in place to identify potential hazards and take action when near misses occur. We have identified 67 potential hazards, which we are addressing on an ongoing basis. 6 near misses have been reported. The Minute for Safety activity is carried out in the production work centres in different formats and time intervals.

Fire safety is also a major focus, and in addition to preventive inspections of individual plants, fire studies of individual plants were carried out during the period and a new Fire Risk Assessment for the whole company was carried out in accordance with legislative requirements. On the basis of the assessment, plans for individual preventive actions were drawn up. Regular inspections of the fire detection, smoke and heat extraction and automatic fire detection systems were also carried out. Checks were carried out on the pumping and sealing points of the storm water drains, which are intended to contain fire water.

Training of persons in charge of initial fire-fighting and evacuation was carried out, attended by 77 staff members.

We have obtained quotations for the installation of automatic fire detection systems – systems have already been installed in certain facilities.

To prevent accidents, we also checked the protocol for the delivery and pumping of raw materials in tankers.

The Fire Unit carried out 1 fire drill - a fire in a sulphuric acid production plant falling under the SEVESO Directive.

In the area of employee health, 179 periodic and 64 follow-up health checks were carried out.

In line with the health promotion programme, 10 activities were carried out (31 January – No Cigarette Day; encouragement to respond to the SVIT programme; KME vaccination, cycling to work; sports games at the staff picnic; body composition measurements and analysis of the results; control of lipids and blood sugar; coping with stress; measures to be taken in the event of high temperatures in the workplace; exercise your body at work – article and screensaver).

The external audit of the Occupational Health and Safety Management System according to ISO 45001:2018 was carried out in May.

## 7 FINANCIAL STATEMENTS

### 7.1 Income statement

#### Income statement for the period 1 January to 30 September

	JAN-SEP 2022	JAN-SEP 2021
<b>Revenue from contracts with buyers</b>	<b>188,588,799</b>	<b>145,966,849</b>
- Revenue from contracts with domestic buyers	15,874,986	12,876,793
- Revenue from contracts with foreign buyers	172,713,813	133,090,056
Changes in the value of stocks of goods and work in progress	2,663,150	-197,728
Capitalised own products and services	1,780,207	2,328,671
Cost of goods and materials sold	199,463	124,721
Cost of materials	96,682,917	73,729,593
Cost of services	12,423,454	9,866,659
Labour costs	22,196,169	21,534,956
a) Wages and salaries	15,409,411	14,998,724
b) Social security costs	1,151,187	1,111,591
c) Pension insurance costs	1,696,857	1,639,954
č) Other labour costs	3,938,715	3,784,687
Amortisation	9,891,612	9,813,743
Other operating income	369,987	651,314
Other operating expenditure	3,319,674	1,366,410
Impairments and write-offs of trade receivables	52	0
<b>Operating result</b>	<b>48,688,801</b>	<b>32,313,026</b>
Financial revenue	1,195,231	746,083
Financial expenditure	1,058,662	757,974
<b>Financial result</b>	<b>136,569</b>	<b>-11,891</b>
<b>Operating result before tax</b>	<b>48,825,370</b>	<b>32,301,135</b>
Accrued tax	9,276,820	6,137,216
Deferred tax	0	0
<b>Income tax</b>	<b>9,276,820</b>	<b>6,137,216</b>
<b>Net operating result for the period</b>	<b>39,548,550</b>	<b>26,163,919</b>
Basic and diluted earnings per share	4.89	3.24

## 7.2 Statement of financial position of the Company

### Statement of financial position of the Company

	30/09/2022	31/12/2021
<b>ASSETS</b>		
<b>Non-current (long-term) assets</b>		
Intangible assets	1,123,515	980,672
Tangible fixed assets	103,356,236	105,896,129
Land	9,622,592	9,676,850
Buildings	40,286,408	42,300,197
Manufacturing plants and machinery	38,928,584	44,344,912
Other machinery and equipment	45,993	49,211
Tangible fixed assets in construction and elaboration	13,515,790	9,172,421
Advances for the acquisition of tangible fixed assets	956,868	352,537
Financial assets at fair value through other comprehensive income	1,651,099	1,651,099
Financial receivables	0	0
Trade receivables	0	0
Other non-current assets	68,049	53,028
Deferred tax assets	1,930,685	1,930,685
<b>Total non-current (long-term assets)</b>	<b>108,129,584</b>	<b>110,511,613</b>
<b>Current assets</b>		
Assets held for sale	0	0
Stocks	60,582,417	40,298,476
Material	44,319,813	26,842,350
Work in progress	2,959,606	2,471,875
Products and merchandise	13,057,451	10,921,232
Advances for stocks	245,546	63,018
Assets under contracts with buyers	0	0
Financial receivables	160,368	0
Trade receivables	35,026,186	31,172,903
Receivables from buyers	32,903,055	29,148,099
Other receivables	2,123,131	2,024,804
Income tax receivable	0	0
Cash and cash equivalents	55,727,281	59,746,594
Other current assets	161,865	155,223
<b>Total current assets</b>	<b>151,658,117</b>	<b>131,373,196</b>
<b>Total assets</b>	<b>259,787,700</b>	<b>241,884,809</b>

## Statement of financial position of the Company (cont.)

	30/09/2022	31/12/2021
<b>EQUITY AND LIABILITIES</b>		
<b>Owners' equity</b>		
Called-up capital	20,229,770	20,229,770
Capital reserves	44,284,976	44,284,976
Reserves from profit	101,824,169	101,824,169
Statutory reserves	16,931,435	16,931,435
Reserves for own shares	4,814,764	4,814,764
Own shares	-4,814,764	-4,814,764
Other reserves from profit	84,892,734	84,892,734
Fair value reserve	-1,179,701	-1,179,702
Retained profits	39,632,708	25,006,577
<b>Total equity</b>	<b>204,791,922</b>	<b>190,165,790</b>
<b>Non-current liabilities</b>		
Provisions for employee benefits	4,107,567	4,256,064
Other provisions	18,405,440	18,828,856
Long-term deferred income	209,790	188,082
Financial payables	0	0
Trade payables	0	0
Obligations under contracts with buyers	0	0
Deferred tax liabilities	0	0
<b>Total non-current liabilities</b>	<b>22,722,796</b>	<b>23,273,002</b>
<b>Current liabilities</b>		
Liabilities included in disposal groups	0	0
Financial payables	0	197,503
Trade payables	24,206,866	23,242,724
Payables to suppliers	21,645,744	18,690,237
Other liabilities	2,561,122	4,552,487
Income tax liabilities	4,601,589	3,852,235
Obligations under contracts with buyers	501,526	136,087
Other current liabilities	2,963,000	1,017,468
<b>Total current liabilities</b>	<b>32,272,981</b>	<b>28,446,017</b>
<b>Total liabilities</b>	<b>54,995,778</b>	<b>51,719,019</b>
<b>Total equity and liabilities</b>	<b>259,787,700</b>	<b>241,884,809</b>



## 7.3 Statement of changes in equity

### Statement of changes in equity in 2022

CINKARNA Metalurško-kemična industrija Celje, d.d.	Called up capital	Capital reserves	Profit reserves				Fair value reserve	Retained profits		Total Equity
			Statutory reserves	Reserves for own shares	Own shares	Other reserves from profit		Profit or loss carried forward	Net operating result of the period	
<b>Opening balance of the period</b>	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
<b>Changes in equity - transactions with owners</b>								24,922,418		24,922,418
Purchase of own shares										
Withdrawal of own shares								24,922,418	0	24,922,418
Payment of dividends										
<b>Total comprehensive income for the period</b>									39,548,550	39,548,550
Entry of net operating result of the period									39,548,550	39,548,550
Other components of comprehensive income of the period										
<b>B3. Changes in equity</b>								24,920,343	-24,920,343	
Allocation of the remainder of net profit for the period to other components of equity										
Allocation of part of net profit of the period to other components of equity by decision of management and supervisory bodies								24,920,343	-24,920,343	
Creation of reserves for own shares										
Release of reserves for own shares										
<b>Closing balance of the period</b>	20,229,770	44,284,976	16,931,435	4,814,794	-4,814,794	84,892,734	-1,179,702	84,159	39,548,550	204,791,921
<b>BALANCE SHEET PROFIT</b>								84,159	39,548,550	39,632,708

### Statement of changes in equity in 2021

CINKARNA Metalurško-kemična industrija Celje, d.d.	Called up capital	Capital reserves	Profit reserves				Fair value reserve	Retained profits		Total Equity
			Statutory reserves	Reserves for own shares	Own shares	Other reserves from profit		Profit or loss carried forward	Net operating result for the period	
<b>Opening balance of the period</b>	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
<b>Changes in equity - transactions with owners</b>				914,484	-914,484			16,435,902		16,435,902
Purchase of own shares				914,484	-914,484					
Withdrawal of own shares										
Payment of dividends								16,435,902		16,435,902
<b>Total comprehensive income for the period</b>									26,163,919	26,163,919
Entry of net operating result of the period									26,163,919	26,163,919
Other components of comprehensive income of the period										
<b>B3. Changes in equity</b>						-914,484		11,370,393	-11,370,393	-914,484
Allocation of the remainder of net profit for the period to other comp. of equity										
Allocation of part of net profit of the period to other components of equity by decision of management and supervisory bodies								11,370,393	-11,370,393	
Creation of reserves for own shares						-914,484				-914,484
Release of reserves for own shares										
<b>Closing balance of the period</b>	20,229,770	44,284,976	16,931,435	4,814,764	-4,814,764	76,585,953	-647,812	86,234	26,163,919	183,634,475
<b>BALANCE SHEET PROFIT</b>								86,234	26,163,920	26,250,153

## 7.4 Cash flow statement for the period

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

	JAN-SEP 2022	JAN-SEP 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net operating result before tax	48,825,370	32,301,135
<b>Adjustments for:</b>	<b>11,982,566</b>	<b>10,256,929</b>
Depreciation +	9,891,612	9,813,743
Profit/loss on sale of fixed assets	-51,103	-19,005
Impairment/write-down (reversal of impairment) of assets	2,005,435	474,082
Net decrease/increase in the valuation allowance for receivables	52	0
Net financial income/expenditure	136,569	-11,891
<b>Cash flow from operating activities before change in net current assets (working capital)</b>	<b>-32,666,452</b>	<b>-12,532,346</b>
Change in trade receivables	-3,853,283	-5,529,568
Change in stocks	-20,283,941	-6,503,967
Change in trade payables	-3,345,881	4,546,609
Change in provisions	-571,913	-986,687
Change in deferred income	21,708	-1,799
Change in other current liabilities	-323,348	-1,286,556
Change in liabilities under contracts with buyers	365,439	-474,968
Income tax paid	-4,675,232	-2,295,410
<b>Net cash flow from operating activities</b>	<b>28,141,484</b>	<b>30,025,718</b>
<b>CASH FLOWS FROM INVESTING</b>		
<b>Investment income</b>	<b>70,773</b>	<b>22,910</b>
Income from interest earned	3,646	19,915
Income from dividend interest received	16,025	0
Income from disposal of tangible fixed assets	51,103	2,995
<b>Investment expenditure</b>	<b>-7,108,955</b>	<b>-6,642,642</b>
Expenditure on the acquisition of intangible assets	-249,139	-78,139
Expenditure on the acquisition of tangible fixed assets	-6,699,448	-6,526,594
Expenditure on the acquisition of financial investments	-160,368	-37,909
<b>Net cash flow from investing</b>	<b>-7,038,182</b>	<b>-6,619,732</b>
<b>Cash flows from financing</b>		
<b>Financing income</b>	<b>0</b>	<b>0</b>
<b>Financing expenditure</b>	<b>-25,122,617</b>	<b>-17,350,386</b>
Expenditure on repayment of financial liabilities	-197,503	0
Expenditure on interest paid	-2,696	0
Expenditure on purchase of own shares	0	-914,484
Expenditure on dividends and other profit-sharing	-24,922,418	-16,435,902
<b>Net cash flow from financing</b>	<b>-25,122,617</b>	<b>-17,350,386</b>
<b>Ending balance of cash and cash equivalents</b>	<b>55,727,280</b>	<b>43,713,424</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>-4,019,314</b>	<b>6,055,600</b>
<b>Opening balance of cash and cash equivalents on 1 January</b>	<b>59,746,594</b>	<b>37,657,824</b>

## 7.5 Statement of other comprehensive income

Statement of other comprehensive income for the period from 1 January to 30 September

	JAN-SEP 2022	JAN-SEP 2021
Net profit	39,548,550	26,163,919
Other comprehensive income for the year	0	0
Other comprehensive income for the year that will not be recognised in the income statement in the future	0	0
Other comprehensive income for the year to be recognised in the income statement in the future	0	0
Net other comprehensive income for the year that will not be recognised in the income statement in the future	0	0
Total other comprehensive income for the year (after tax)	0	0
<b>Total comprehensive income for the year (after tax)</b>	<b>39,548,550</b>	<b>26,163,919</b>

## 8 NOTES TO FINANCIAL STATEMENTS

### 1 Reporting by segment

#### Sales by business segment

	In €	
	JAN-SEP 2022	JAN-SEP 2021
Titanium dioxide	156,640,019	119,091,071
Zinc processing	6,654,503	4,462,273
Varnishes, masters and printing inks	15,252,427	13,177,400
Agro programme	6,479,895	6,423,180
Other	3,561,955	2,812,925
<b>TOTAL</b>	<b>188,588,799</b>	<b>145,966,849</b>

#### Sales by regional section

	In €	
	JAN-SEP 2022	JAN-SEP 2021
Slovenia	15,874,986	12,876,793
European Union	144,849,232	108,643,824
Market of the former Yugoslavia	4,242,241	3,159,566
Third countries	21,776,598	18,629,896
Third countries – dollar market	1,845,742	2,656,769
<b>TOTAL</b>	<b>188,588,799</b>	<b>145,966,849</b>

#### Operating result by business segment

	In €											
	Titanium dioxide - pigments		Zinc processing		Varnishes, masters, p. inks		Agro programme		Other		Total	
	30/09/2021	30/09/2022	30/09/2021	30/09/2022	30/09/2021	30/09/2022	30/09/2021	30/09/2022	30/06/2021	30/09/2022	30/09/2021	30/09/2022
Rev. from contr. with buyers	119,091,071	156,640,019	4,462,273	6,654,503	13,177,400	15,252,427	6,423,180	6,479,895	2,812,925	3,561,955	145,966,849	188,588,799
Other operating income	509,280	319,352	403	663	8,894	1,802	9,072	1,382	2,452,336	1,826,995	2,979,985	2,150,194
Change in value of stocks	-93,863	2,219,222	-65,051	242,270	-29,473	671,964	-141,111	-523,858	131,770	53,552	-197,728	2,663,150
Operating costs	-88,269,406	-112,702,518	-4,339,510	-6,675,720	-11,510,683	-13,063,452	-5,947,041	-5,962,208	-6,369,440	-6,309,444	-116,436,080	-144,713,342
- of which depreciation	-5,821,839	-5,752,344	-63,682	-59,740	-351,990	-314,417	-198,768	-206,309	-3,377,464	-3,558,802	-9,813,743	-9,891,612
<b>Operating result</b>	<b>31,237,082</b>	<b>46,476,075</b>	<b>58,115</b>	<b>221,716</b>	<b>1,646,138</b>	<b>2,862,741</b>	<b>344,100</b>	<b>-4,789</b>	<b>-972,409</b>	<b>-866,942</b>	<b>32,313,026</b>	<b>48,688,801</b>
Interest income											9,991	3,646
Other financial income											736,092	1,191,585
Interest expense											4,158	2,696
Other financial expenses											753,816	1,055,966
<b>Financial result</b>											<b>-11,891</b>	<b>136,569</b>
Deferred taxes											0	0
Income tax											6,137,216	9,276,820
<b>Net profit</b>											<b>26,163,919</b>	<b>39,548,550</b>

### 2 Revenue from contracts with buyers

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

	In €	
	JAN-SEP 2022	JAN-SEP 2021
Net revenues from contracts with buyers of products and services	188,041,602	145,728,274
Net revenues from contracts with buyers of merchandise and materials	547,197	238,575
<b>TOTAL</b>	<b>188,588,799</b>	<b>145,966,849</b>

**3 Other operating income**

	In €	
Income	JAN-SEP 2022	JAN-SEP 2021
Sale of emission allowances	0	436,560
Gains on sales and write-downs of assets	7,253	2,995
Revenue from state support for COVID-19*	34,430	62,440
Revenue from State support - Energy Law**	300,000	0
Recovered written-off receivables	0	8,131
Revenue from previous years	0	16,713
Compensation received	13,069	21,272
Other revenue	15,235	103,202
<b>TOTAL</b>	<b>369,987</b>	<b>651,314</b>

\*Revenue relates to reimbursement claims received for isolation (COVID disease).

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

**4 Costs by natural type**

	In €	
	JAN-SEP 2022	JAN-SEP 2021
Cost of materials and goods sold	199,463	124,721
Cost of materials	96,682,917	73,729,593
Cost of services	12,423,454	9,866,659
Labour costs	22,196,169	21,534,956
Depreciation	9,891,612	9,813,743
Other operating expenses	3,319,674	1,366,410
Impairments and write-offs of trade receivables	52	0
<b>TOTAL</b>	<b>144,713,343</b>	<b>116,436,082</b>

**5 Labour costs**

	In €	
Labour costs	JAN-SEP 2022	JAN-SEP 2021
Salaries and allowances	15,409,411	14,998,724
Social security contributions	1,151,187	1,111,591
Expenses reimbursements and other staff compensation	1,696,857	1,639,954
Supplementary pension insurance	3,938,715	3,784,687
<b>TOTAL</b>	<b>22,196,169</b>	<b>21,534,956</b>

As at 30 September 2022, the company employed 775 persons. The average number of employees was 781.

**6 Depreciation and amortisation**

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

	In €	
Description	JAN-SEP 2022	JAN-SEP 2021
<b>Depreciation and amortisation</b>		
- intangible assets	106,295	147,876
- easements	54,258	54,258
- buildings	2,493,866	2,556,327
- production equipment	7,233,425	7,051,097
- other equipment	3,769	4,185
<b>TOTAL</b>	<b>9,891,612</b>	<b>9,813,742</b>

**7 Operating expenses**Operating expenses

	In €	
Expenses	JAN-SEP 2022	JAN-SEP 2021
Cost of materials	96,682,917	73,729,593
Cost of services	12,423,454	9,866,659
Cost of materials and goods sold	199,463	124,721
Other operating expenses	3,319,674	1,366,410
<b>TOTAL</b>	<b>112,625,509</b>	<b>85,087,382</b>

Other operating expenses

	In €	
Other operating expenses	JAN-SEP 2022	JAN-SEP 2021
Provisioning for the environment	59,144	0
Environmental fees and refunds	378,777	300,541
Awards to students and trainees	197,699	225,395
Building land use allowance	469,367	275,935
Revaluation of stocks of materials and goods	2,005,435	402,226
Loss on sale (disposal) of fixed assets	58,356	71,857
Other costs and expenses	150,897	90,456
<b>TOTAL</b>	<b>3,319,674</b>	<b>1,366,410</b>

**8 Financial income and expenditure**

	In €	
Income	JAN-SEP 2022	JAN-SEP 2021
Net exchange differences	119,595	0
Interest and investment income	3,646	9,991
Dividend income	16,025	13,915
<b>Total financial income</b>	<b>139,265</b>	<b>23,906</b>
Net exchange differences	0	-31,639
Interest expense	2,696	-4,158
<b>Total financial expenses</b>	<b>136,569</b>	<b>-11,891</b>
<b>Net financial result</b>	<b>136,569</b>	<b>-11,891</b>

**9 Income tax**

The income tax charge at the effective tax rate of 19% amounts to € 9,276,820.

**10 Intangible assets**

	In €					
Intangible asset group for 2022	Acquisition value		Value adjustment		Undepreciated value	
	30/09/2022	31/12/2021	30/09/2022	31/12/2021	30/09/2022	31/12/2021
Property rights	5,877,301	5,633,593	4,850,053	4,744,346	1,027,247	889,248
Assets under acquisition	96,268	91,424	0	0	96,268	91,424
<b>TOTAL</b>	<b>5,973,568</b>	<b>5,725,018</b>	<b>4,850,053</b>	<b>4,744,346</b>	<b>1,123,515</b>	<b>980,672</b>

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

**11 Tangible fixed assets**

	In €					
Tangible fixed assets group for 2022	Acquisition value		Value adjustment		Undepreciated value	
	30/09/2022	31/12/2021	30/09/2022	31/12/2021	30/09/2022	31/12/2021
Land	10,803,263	10,803,263	1,180,671	1,126,413	9,622,592	9,676,850
Buildings	126,913,795	126,487,363	86,627,387	84,187,165	40,286,408	42,300,197
Equipment	223,182,301	227,909,652	184,207,723	183,515,529	38,974,578	44,394,123
Assets under acquisition	13,515,790	9,172,421	0	0	13,515,790	9,172,421
Advances	956,868	352,537	0	0	956,868	352,537
<b>TOTAL</b>	<b>375,372,017</b>	<b>374,725,236</b>	<b>272,015,781</b>	<b>268,829,107</b>	<b>103,356,236</b>	<b>105,896,129</b>

The company has verified their values and determined that their present value does not exceed their recoverable amount. The company does not have any assets under finance leases, nor does the company have any assets pledged as collateral for any guarantees as at 30 September 2022.

## 12 Financial assets

Non-current financial investments group for 2022	Acquisition value		Value adjustment		Fair value	
	30/09/2022	31/12/2021	30/09/2022	31/12/2021	30/09/2022	31/12/2021
Other investments	1,755,026	1,755,026	103,927	103,927	1,651,099	1,651,099
<b>TOTAL</b>	<b>1,755,026</b>	<b>1,755,026</b>	<b>103,927</b>	<b>103,927</b>	<b>1,651,099</b>	<b>1,651,099</b>

Investments in shares of Elektro Celje and Elektro Maribor are valued using the fair value model and represent less than 1% of the total shares of these companies.

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

## 13 Other non-current assets

Other non-current assets group for 2022	Acquisition value		Value adjustment		Undepreciated value	
	30/09/2022	31/12/2021	30/09/2022	31/12/2021	30/09/2022	31/12/2021
Emission allowances	68,049	53,028	0	0	68,049	53,028
<b>TOTAL</b>	<b>68,049</b>	<b>53,028</b>	<b>0</b>	<b>0</b>	<b>68,049</b>	<b>53,028</b>

In 2022, the company surrendered 25,376 CO2 emission allowances to ARSO for the 2021 financial year and received 40,397 allowances for the 2022 financial year based on the decision.

## 14 Current financial investments

Current financial investments group for 2022	Value of investments		Adjustment of investments		Net investments	
	30/09/2022	31/12/2021	30/09/2022	31/12/2021	30/09/2022	31/12/2021
Assignments, cessions	1,553	0	0	0	1,553	0
Fair value of derivatives	158,815	0	0	0	158,815	0
<b>TOTAL</b>	<b>160,368</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>160,368</b>	<b>0</b>

## 15 Stocks

Stocks group	30/09/2022	31/12/2021	Recoverable amount
Materials	44,319,813	26,842,350	44,319,813
Work in progress	2,959,606	2,471,875	2,959,606
Products	13,043,659	10,868,240	22,101,962
Merchandise	13,792	52,992	13,792
Advances made	245,546	63,018	245,546
<b>TOTAL</b>	<b>60,582,417</b>	<b>40,298,476</b>	<b>69,640,720</b>

Stocks are not pledged as collateral. Advances made represent funds given for the purchase of raw materials and supplies. The net realisable value of stocks as at 30 September 2022 exceeds their carrying amount.

## 16 Trade receivables

### Current trade receivables

Receivables group for 2022	Value of receivables		Value adjustment		Net receivables	
	30/09/2022	31/12/2021	30/09/2022	31/12/2021	30/09/2022	31/12/2021
Buyers in the country	4,183,462	4,063,142	267,017	267,017	3,916,445	3,796,125
Buyers abroad	29,011,600	24,868,008	380,184	381,437	28,631,416	24,486,571
Indirect exporters	355,195	865,403	0	0	355,195	865,403
<b>TOTAL</b>	<b>33,550,256</b>	<b>29,796,553</b>	<b>647,201</b>	<b>648,454</b>	<b>32,903,055</b>	<b>29,148,099</b>

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

Movement in valuation allowances on current trade receivables

In €

2022	As at 31/12/2021	Adjustment 2022	Value adjustment formed 2022	Write-downs of valuation allowances of prior years	Paid written-off receivables	As at 30/09/2022
Buyers in the country	267,017	0	0	0	0	267,017
Buyers abroad	381,437	0	0	0		380,184
<b>TOTAL</b>	<b>648,454</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>647,201</b>

Trade receivables by maturity by segment

In €

Regional section	Total receivables		Not past due		Past due							
					0 to 15 days		16 to 60 days		61 to 180 days		More than 180 days	
	30.09.2022	31.12.2021	30.09.2022	31.12.2021	30.09.2022	31.12.2021	30.09.2022	31.12.2021	30.09.2022	31.12.2021	30.09.2022	31.12.2021
Buyers in the country	3,916,445	3,796,125	3,679,054	3,627,348	158,674	151,427	78,718	17,349	0	0	0	0
Buyers abroad - EU and third countries	27,771,909	23,823,511	26,265,033	21,508,066	1,282,480	1,078,916	177,816	1,236,289	46,389	240	191	0
Buyers in markets of former Yugoslavia	859,506	663,061	649,516	647,647	46,712	10,114	162,898	5,300	380	0	0	0
Indirect exporters	355,195	865,403	285,187	865,403	70,008	0	0	0	0	0	0	0
<b>TOTAL trade receivables</b>	<b>32,903,055</b>	<b>29,148,099</b>	<b>30,878,789</b>	<b>26,648,463</b>	<b>1,557,874</b>	<b>1,240,457</b>	<b>419,431</b>	<b>1,258,938</b>	<b>46,769</b>	<b>240</b>	<b>191</b>	<b>0</b>

Trade receivables by maturity

In €

Receivables group by maturity	Gross value 30/09/2022	Adjustment 30/09/2022	Gross value 31/12/2021	Adjustment 31/12/2021
Not past due	30,900,135	21,346	26,683,460	21,346
Past due up to 15 days	1,558,868	994	1,240,457	994
Past due from 16 to 60 days	426,446	6,635	1,252,916	6,635
Past due from 61 to 180 days	46,389	0	240	0
Past due more than 180 days	618,417	618,226	619,479	619,479
<b>TOTAL</b>	<b>33,550,256</b>	<b>647,201</b>	<b>29,796,552</b>	<b>648,454</b>

Other current receivables

In €

Receivables group	30/09/2022	31/12/2021
Receivables for VAT	1,900,937	1,789,384
Receivables from government institutions	196,247	186,642
Receivables from employees	23,947	26,027
Other receivables	2,000	22,751
<b>TOTAL</b>	<b>2,123,131</b>	<b>2,024,804</b>

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

17 Cash and cash equivalents

In €

Assets group	30/09/2022	31/12/2021
Cash in hand	30	30
Cash in accounts	49,568,762	53,622,153
Short-term deposits at call	6,000,000	6,124,412
Foreign currency balances on accounts	158,489	0
<b>TOTAL</b>	<b>55,727,281</b>	<b>59,746,594</b>

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



**18 Other current assets**

Under other current assets, the company recognises current deferred costs or expenses and VAT on advances received.

Description	In €	
	30/09/2022	31/12/2021
Prepaid expenses	161,274	153,862
VAT on advances received	276	1,362
Material en route and other	315	0
<b>TOTAL</b>	<b>161,865</b>	<b>155,223</b>

**19 Owners' equity**

Equity items	In €	
	30/09/2022	31/12/2021
Called-up capital	20,229,770	20,229,770
Capital reserves	44,284,976	44,284,976
Statutory reserves	16,931,435	16,931,435
Reserves for own shares	4,814,764	4,814,764
Own shares	-4,814,764	-4,814,764
Other profit reserves	84,892,734	84,892,734
Fair value reserve	-1,179,701	-1,179,701
Retained earnings	39,632,708	25,006,577
<b>TOTAL EQUITY</b>	<b>204,791,922</b>	<b>190,165,790</b>

The company's share capital consists of 8,079,770 freely transferable ordinary shares of the same class. All of the ordinary shares have the same nominal value and are fully paid up. As at the balance sheet date of 30 September 2022, the value of the share capital amounts to € 20,229,770. The company holds 264,650 treasury shares as at 30 September 2022. The company did not acquire any treasury shares in 2022.

**20 Non-current liabilities**

Non-current liabilities group	In €	
	30/09/2022	31/12/2021
Provisions for employee benefits	4,107,567	4,256,064
Provisions for the environment	18,337,391	18,801,189
Government grants received - emission allowances	68,049	27,667
Deferred income	209,790	188,082
<b>TOTAL</b>	<b>22,722,796</b>	<b>23,273,002</b>

**Post-employment benefits of employees**

Post-employment benefits of employees	In €	
	30/09/2022	31/12/2021
Provisions for severance payments	3,586,485	3,693,949
Provisions for jubilee awards	521,082	562,115
<b>TOTAL</b>	<b>4,107,567</b>	<b>4,256,064</b>

Post-employment benefits of employees	31/12/2021	Dedicated use	30/09/2022
	Provisions for severance payments	3,693,949	107,463
Provisions for jubilee awards	562,115	41,034	521,082
<b>TOTAL</b>	<b>4,256,064</b>	<b>148,497</b>	<b>4,107,567</b>

**Provisions**

Provisions for the environment	In €				
	As at 31/12/2021	Annual intended use plan 2022	Formation 2022	Use in 2022	As at 30/09/2022
Provisions for the Za Travnik landfill site	373,300	23,000	59,144	62,501	369,943
Provisions for the Bukovžlak landfill site (ONOB)	6,187,523	2,110,000	0	445,022	5,742,501
Provisions for the Bukovžlak high embankment barrier	3,151,168	260,000	0	15,420	3,135,748
Provisions for the removal of risks from old loads-CDM SMITH	5,988,176	10,000	0	0	5,988,176
Environmental provisions - Environmental investment in TiO <sub>2</sub> production	3,101,022	0	0	0	3,101,022
<b>TOTAL</b>	<b>18,801,189</b>	<b>2,403,000</b>	<b>59,144</b>	<b>522,942</b>	<b>18,337,391</b>

The use of environmental provisions in 2022 is represented by the cost of work carried out by contractors, amounting to € 522,942. A new provisioning of € 59,144 has been carried out.

## Deferred income

	In €	
	30/09/2022	31/12/2021
<b>Deferred income</b>		
Deferred contributions for employment of disabled people	22,621	913
Long-term deferred income for equipment	1,776	1,776
Funds received from the EU Fund	161,172	161,172
Equipment and vehicles acquired free of charge	24,221	24,221
<b>TOTAL</b>	<b>209,790</b>	<b>188,082</b>

## 21 Current financial liabilities

	In €	
	30/09/2022	31/12/2021
<b>Liabilities group</b>		
Current financial liabilities – assignments, cessions	0	191,886
Current derivative liabilities – futures	0	5,616
<b>TOTAL</b>	<b>0</b>	<b>197,503</b>

## 22 Current trade payables

	In €	
	30/09/2022	31/12/2021
<b>Liabilities group</b>		
Current payables to in-country suppliers	11,996,191	9,547,147
Current payables to suppliers abroad	8,813,489	9,137,478
Current payables for unbilled goods and services	836,064	5,611
Current payables against advances	607	70,165
Current payables to employees	1,319,829	2,517,024
Current payables for payer's contributions	712,204	1,299,826
Current payables to government and other institutions	517,214	656,587
Other current liabilities	11,268	8,886
<b>TOTAL</b>	<b>24,206,866</b>	<b>23,242,724</b>

## 23 Income tax liabilities

	In €	
	30/09/2022	31/12/2021
<b>Income tax</b>		
Current liabilities for income tax	4,601,589	3,852,235
<b>TOTAL</b>	<b>4,601,589</b>	<b>3,852,234</b>

## 24 Obligations under contracts with buyers

	In €	
	30/09/2022	31/12/2021
<b>Obligations under contracts with buyers</b>		
Obligations under contracts with buyers	501,526	136,087
<b>TOTAL</b>	<b>501,526</b>	<b>136,087</b>

The obligations under contracts with buyers arose from contractual commitments to buyers for agreed bulk fees.

## 25 Other current liabilities

Other current liabilities comprise accrued costs or expenses.

	In €	
	30/09/2022	31/12/2021
<b>Description</b>		
Accrued unused annual leave entitlement	823,198	823,198
Accrued costs	2,118,582	180,596
VAT on advances made	21,220	10,889
Other	0	2,785
<b>TOTAL</b>	<b>2,963,000</b>	<b>1,017,468</b>

**26 Contingent assets and liabilities**

Description	In €	
	30/09/2022	31/12/2021
Guarantees given	2,350,729	2,345,729
Futures	7,573,776	4,650,283
VISA and Mastercard payment cards	40,000	40,000
Material in finishing and processing	59,725	59,725
<b>TOTAL</b>	<b>10,024,230</b>	<b>7,095,737</b>

**27 Fair value**

	30/09/2022		31/12/2021	
	Carrying amount	Fair value	Carrying amount	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	32,903,055	32,903,055	29,148,099	29,148,099
Cash and cash equivalents	55,727,281	55,727,281	59,746,594	59,746,594
Financial liabilities	0	0	-197,503	-197,503
Payables to suppliers	-21,645,744	-21,645,744	-18,690,237	-18,690,237
Payables under contracts with buyers	-501,526	-501,526	-136,087	-136,087
<b>Total</b>	<b>68,134,164</b>	<b>68,134,164</b>	<b>71,521,965</b>	<b>71,521,965</b>

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

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

Fair value of assets	30/09/2022				31/12/2021			
	Group 1	Group 2	Group 3	Total	Group 1	Group 2	Group 3	Total
Financial assets at fair value through other comprehensive income	0	1,651,099	0	1,651,099	0	1,651,099	0	1,651,099
<b>Total assets measured at fair value</b>	<b>0</b>	<b>1,651,099</b>	<b>0</b>	<b>1,651,099</b>	<b>0</b>	<b>1,651,099</b>	<b>0</b>	<b>1,651,099</b>
<b>Assets for which fair value is disclosed</b>								
Trade receivables	0	0	32,903,055	32,903,055	0	0	29,148,099	29,148,099
Cash and cash equivalents	0	0	55,727,281	55,727,281	0	0	59,746,594	59,746,594
<b>Total assets for which fair value is disclosed</b>	<b>0</b>	<b>0</b>	<b>88,630,335</b>	<b>88,630,335</b>	<b>0</b>	<b>0</b>	<b>88,894,693</b>	<b>88,894,693</b>
<b>Total</b>	<b>0</b>	<b>1,651,099</b>	<b>88,630,335</b>	<b>90,281,434</b>	<b>0</b>	<b>1,651,099</b>	<b>88,894,693</b>	<b>90,545,792</b>

Fair value of liabilities	30/09/2022				31/12/2021			
	Group 1	Group 2	Group 3	Total	Group 1	Group 2	Group 3	Total
Financial liabilities	0	0	0	0	0	0	197,503	197,503
Payables to suppliers	0	0	21,645,744	21,645,744	0	0	18,690,237	18,690,237
Payables under contracts with buyers	0	0	501,526	501,526	0	0	136,087	136,087
<b>Total liabilities for which fair value is disclosed</b>	<b>0</b>	<b>0</b>	<b>22,147,270</b>	<b>22,147,270</b>	<b>0</b>	<b>0</b>	<b>19,023,827</b>	<b>19,023,827</b>

### III CASH FLOW STATEMENT

The cash flow statement shows the changes in cash and cash equivalents for the financial year as the difference between the balance as at 30 September 2022 and at 31 December 2021. It is drawn up using the indirect method from the statement of financial position as at 30 June of the financial year and the statement of financial position as at 31 December 2021, and from the supplementary information necessary to adjust the income and expenditure and to break down the significant items accordingly. Theoretically possible items are not shown, but values are shown for the current and the prior period.

### IV STATEMENT OF CHANGES IN EQUITY

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

### V FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

#### Financial risks (liquidity and interest rate)

##### Liquidity risk

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

##### Interest rate risk

Interest rate risk is the potential for losses due to adverse movements in market interest rates. The company does not have any long-term financial commitments and has no measures in place to address this. If this were to change, appropriate measures would be put in place to manage this type of risk.

Due to its strong performance and favourable financial position, the company enters into deposit agreements with banks at minimum positive interest rates in order to reduce the cost of bearing deposits. At the balance sheet date of 30 September 2022, deposits with a maturity of up to one year amount to € 6 million.

##### Credit risk

The key credit risk of Cinkarna Celje d.d. is the risk that customers will not settle their obligations when they fall due. The risk is limited as we operate mainly with long-standing partners, which are often well-known traditional European industrial companies with a high credit rating. In recent years, we have perceived that payment discipline in Slovenia, the Balkans and Eastern Europe has been relatively poor, but we do not expect any further problems in this geographic area in the coming period or a significant reduction in risk potential. With the realignment/reorganisation of the portfolio of the company's strategic business areas, specifically the discontinuation of the Graphic Repro Materials programme, the Rolled Titanium Sheet programme, the Anti-Corrosion Coatings programme and the Building Materials programme, the exposure to credit risk has been significantly reduced, as evidenced by the maturity of receivables and the fact that we have virtually no further allowance for doubtful or defaulted receivables from customers.

For many years, Cinkarna Celje has been carrying out internal credit control for individual customers, who have been assigned an individual credit limit based on their payment discipline, credit rating and good performance with the company. The credit risk monitoring and management process was further enhanced in mid-2021 with the introduction of receivables insurance with an external institution, where credit limits are set, monitored and changed on a daily basis. A TOP UP scheme is in place for certain customers who have not reached their credit limit with the insurer.

Besides the regular monitoring of the credit limit for each customer, the payment discipline of the customer and the announcements of proceedings on Ajpes under the Act on Financial Management, Insolvency and Compulsory Winding-up Proceedings (ZFPPIPP) are monitored on a daily basis. The customer is also reminded of the due date of a receivable by a reminder, first by telephone and then by letter, and interest is charged from the due date until the date of repayment. The process of regular monitoring and control of the portfolio of trade receivables is a

permanent feature of the company, resulting in a small proportion of write-offs or impairments of receivables in relation to the proportion of sales.

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

	Notes	30/09/2022	31/12/2021
Financial investments	12, 14	1,811,467	1,651,099
Trade receivables	16	32,903,055	29,148,099
Cash and cash equivalents	17	55,727,281	59,746,594
<b>TOTAL</b>		<b>90,441,803</b>	<b>90,545,792</b>

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

### Currency risk

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

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

### Exposure to foreign exchange rate risk

	30/09/2022		31/12/2021	
	EUR*	USD	EUR*	USD
Short-term financial receivables	160,368	0	0	0
Trade receivables	32,617,868	278,000	28,269,239	997,800
Advances made	0	0	36,099	40,915
Cash and cash equivalents	55,564,584	162,697	59,746,594	0
Current financial liabilities	0	0	-197,503	0
Current trade payables	-18,715,323	-5,432,313	-23,242,724	-6,680,374
<b>Statement of financial position exposure (net)</b>	<b>69,627,497</b>	<b>-4,991,616</b>	<b>64,611,705</b>	<b>-5,641,659</b>

\*EUR is the functional currency and does not represent an exposure to exchange rate risk. In addition to the functional currency EUR, the company uses the USD (US dollar), which was used in the translation of the balance sheet items as at 30 September 2022 and is equal to the European Central Bank's reference rate of one national currency for EUR 1 as at 30 September 2022 of 0.9706 and as at 31 December 2021 of 1.1326.

### Sensitivity analysis

A 1% change in the value of the USD against the EUR as at 30 September 2022 and as at 31 December 2021 would change the operating result before tax by the amounts shown in the table below. The analysis, which is carried out in the same way for both years, assumes that all variables, in particular interest rates, remain constant. In calculating the impact of the change in the US dollar exchange rate, account is taken of the balance of receivables and payables denominated in dollars.

	30/09/2022		31/12/2021	
Currency change USD	1%	-1%	1%	-1%
<b>Impact on operating result before tax</b>	<b>100,280</b>	<b>-203,146</b>	<b>302,125</b>	<b>-302,152</b>

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

**Capital management**

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

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

	In €	
	30/09/2022	31/12/2021
Financial liabilities	0	197,503
Trade and other current liabilities	24,206,866	28,248,514
Cash and cash equivalents	55,727,281	59,746,594
<b>Net indebtedness</b>	<b>-31,520,415</b>	<b>-31,300,577</b>
Capital	204,791,922	190,165,790
<b>Capital and net indebtedness</b>	<b>173,271,507</b>	<b>158,865,213</b>
<b>Financial leverage ratio</b>	<b>-18%</b>	<b>-20%</b>

## **9 MAJOR BUSINESS EVENTS AFTER THE END OF THE PERIOD**

The company does not have any events that would have a material effect on the financial statements as at 30 September 2022.

Cinkarna's exposure to the markets of Ukraine and Russia is negligible, as the company spends less than one per cent of its sales in these countries.

The indirect exposure to Ukraine is not negligible, as Ukraine is an important supplier of ores to a number of titanium dioxide producers (Cinkarna does not have any supplies from Ukraine). The situation may temporarily prevent or even stop the supply of ores, the purchasers of ores will be forced to find an alternative supplier, which may trigger a rise in the prices of titanium-bearing ores and increase the purchase prices of the basic strategic raw material of Cinkarna Celje.

Energy is another important factor that accounts for a significant share of Cinkarna's costs and means that the company is more exposed to energy prices. Developments on the Russian market may lead to an increase in the already increased prices of energy products or to the extreme of interrupting the supply of the energy product natural gas, which would seriously jeopardise the production and operations of Cinkarna Celje.

In response to the increased risk of cyber-attacks, we have upgraded our existing cyber-security measures and taken a number of new ones. We also focus on raising awareness of information security among our employees (phishing test, dedicated training, etc.).

Not all risks and impacts can be reliably assessed at this point in time, but these and other, as yet unknown, circumstances could have a significant impact on the company's business in the future if the situation in Ukraine and Russia does not calm down.