

# **UNAUDITED BUSINESS REPORT FOR CINKARNA CELJE FOR JANUARY-MARCH 2022**

Celje, April 2022

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## COLLECTION OF THE MOST IMPORTANT DATA

TURNOVER IN EUR 000	I-III 2022	I-III 2021	2021	2020	2019
Sales revenues	66,347.59	50,327.53	192,462.10	172,386.90	172,587.00
Operating profit (EBIT) <sup>1</sup>	19,119.51	9,242.45	39,976.60	22,534.40	25,726.90
Operating profit plus depreciation and amortisation (EBITDA) <sup>2</sup>	22,417.72	12,513.77	51,258.00	32,467.20	32,296.30
Net profit	15,573.50	7,435.11	33,227.10	18,950.70	21,436.40
Non-current assets (end of period)	109,004.66	108,785.60	110,511.61	110,888.70	107,753.80
Current assets (end of period)	150,094.81	112,738.73	131,373.20	100,251.70	100,516.50
Equity (end of period)	205,739.29	180,910.37	190,165.80	174,820.90	170,806.10
Non-current liabilities (end of period)	22,944.62	20,501.08	23,273.00	20,876.40	22,578.00
Current liabilities (end of period)	30,415.57	20,112.88	28,446.00	15,442.00	14,886.20
Investments	1,779.74	2,215.48	11,325.40	12,233.00	11,956.00
INDICATORS					
EBIT as a percentage of turnover	0.29	0.18	0.21	0.13	0.15
EBITDA as a percentage of turnover	0.34	0.25	0.27	0.19	0.19
Net profit as a percentage of turnover (ROS)	23.47	14.77	17.26	10.99	12.42
Return on equity (ROE) <sup>3</sup>	7.87	4.18	21.40	12.50	14.70
Return on assets (ROA) <sup>4</sup>	6.22	3.44	14.70	9.00	10.20
Added value per employee <sup>5</sup>	42,278	25,852	106,181	78,729	80,896
NUMBER OF EMPLOYEES					
End of year/period	782	807	793	824	846
End of year/period average	783	812	801	838	874
SHARE INFORMATION					
Total number of shares	807,977	807,977	807,977	807,977	807,977
Number of own shares	26,465	24,873	26,465	21,951	10,652
Number of shareholders	2,064	1,997	2,077	1,920	1,920
Earnings per share in EUR <sup>6</sup>	19.27	9.20	41.12	23.45	26.53
Dividend yield <sup>7</sup>	N/A	N/A	9%	11%	13%
Gross dividend per share in EUR	N/A	N/A	21.00	17.00	28.30
Share price at end of period in EUR	278.00	206.00	259.00	178.00	187.50
Book value per share in EUR <sup>8</sup>	254.64	223.91	235.40	216.40	211.80
Market capitalisation in thousands of EUR (end of period)	224,617.61	166,443.26	209,266.04	143,819.91	151,495.69

<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. It reflects operating performance.

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

<sup>4</sup> Net profit/average balance for the period. The indicator reflects the efficiency of the company in generating net profit in relation to assets. Return on assets is also an indicator of the 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/average number of shares issued.

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

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

## BUSINESS REPORT

In Q1 2022, sales were 32% higher than in the previous comparable period. The increase in sales was further driven by higher average prices of titanium dioxide pigment. The stocks of the latter are minimal in the regions excluding China. The delays of Asian pigment coming to Europe place additional constraints on the supply side. The pressure is also present on the input side.

The most important elements of operating performance remain titanium dioxide pigment and the rationalisation of the portfolio of strategic business areas, which focuses on increasing the core programme and abandoning unprofitable activities.

With respect to our capacity for titanium dioxide pigment production, we are among minor global producers. In Europe, we are comparable to minor Eastern European production facilities. Branch analyses and operating performance benchmarking show that Cinkarna Celje, d. d., is among the more successful actors in the industry of titanium dioxide pigment. The Management Board deems that the business results achieved are objectively good and exceed the forecast for the period. Cinkarna Celje, d. d., is a relatively minor pigment producer, so we are facing the market situation and changes as a typical follower, but we try to use market potentials as much as possible within the given framework in terms of level and time dynamics.

We continue to follow our long-standing business strategy based principally on an active marketing approach focusing on seeking and developing the most profitable customers and markets, increasing market shares in the most high-quality markets, and establishing long-term partnerships with key customers. We are planning to adopt a more restrictive policy in the field of managing costs of materials, raw materials, energy and services. At the same time, we are aware that our employees are the most important foundation of business success, so we will keep ensuring, in agreement with the representative trade unions and employees' representatives, that the salaries of the employees will reflect the Company's success and the quality of its results.

The outbreak of the Ukrainian war put a stop to the rapid post-pandemic recovery of the European economy and significantly worsened the outlook for this year. This worsening is even more intense due to high prices of energy and its availability, disturbances that are still present in supply chains, and the escalation in the geopolitical situation. In addition to great uncertainties associated with the consequences of the increased prices of raw materials, energy and transport, no other significant risks are noted in the international economic area that could negatively affect the Company's operations and its business plans in the current year.

The abovementioned macroeconomic situation in the context of concrete markets and flagship products of Cinkarna Celje, d. d., means that there is shortage on the market in terms of titanium dioxide supply, which is reflected in higher prices. Continuation and intensification of the Russo-Ukrainian conflict may potentially undermine the European market for pigment. Amounts initially intended for Ukraine, Russia or Belarus will likely be redirected to other markets. On the other hand, the escalation of the conflict might change the structure of consumer expenses. Based on the assessment of the current market situation, price correction is considered likely during the year. In relation therewith, there are major pressures on price increases for some key raw materials, including titanium-bearing ores, energy and transport. In the next quarters, further price increases can be expected, which are expected to be higher on the input side than on the output side.

The performance of other business units is above the level of the previous comparable period. This mostly concerns the fields of metallurgic products and agricultural products, which are, due to higher exchange prices of input raw materials and higher demand, higher compared to the value achieved in the corresponding last-year period.

The basic focuses of the Company's business policy remain unchanged. We are focusing on utilising the production capacities as much as possible, using market potentials towards the sales of higher added-value products, optimising production costs and implementing investment plans. Financial management is traditionally conservative, and the Company is financially stable.

The Company carries out several interlinked projects for the comprehensive management of spatial and environmental risks. The most important of them are the project for alternative water supply, harmonisation of spatial planning acts at the Za Travnik red gypsum backfilling plant, the remediation of the Bukovžlak Non-Hazardous Waste Landfill (ONOB) and the stability of barriers.

In the period discussed, Cinkarna Celje, d. d., generated sales revenues amounting to EUR 66.4 million, i.e. 32% more compared to the corresponding last-year period. The total value of exports in the period discussed achieved EUR 60.6 million, i.e. 30% more compared to the corresponding last-year period. Net profit amounted to EUR 15.6 million, i.e. 111% more compared to the profit achieved in the corresponding last-year period, when it amounted to EUR 7.4 million. Operating profit or loss plus depreciation and amortisation, i.e. EBITDA, amounted to EUR 22.4 million, representing 34% of sales generated. EBITDA is 79% higher year-on-year.

Within the scope of HR activities and management, special focus during the COVID-19 epidemic was on following the set of measures by the Company's Management Board in order to ensure the smooth operation of the Company and, consequently, ensure maximally safe and healthy work of the employees, protecting employees against infection and optimising working conditions for the employees at a time when the operation of HR was restricted. The principle of a positive motivation payment policy is being followed by ensuring appropriate levels of satisfaction and motivation of the employees.

In the first three months of 2022, EUR 1.8 million was spent on investments, purchasing fixed assets and replacing equipment as well as environmental investments, constituting a little less than 13% of the planned budget for 2022. We invest in programmes that show a potential for growth. Our investments in production are primarily aimed at ensuring profitable volumes of production, achieving higher quality, regulatory compliance and energy sustainability. Improvements in the operation or upgrading of waste water treatment plants and the implementation of measures to reduce emissions in the working environment are a constant.

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Our development activities follow a five-year strategy while we prepare the grounds for its revision, notably in terms of supplementing the existing programmes. Development activities have been carried out according to the opportunities seen in the areas of our expertise, in line with trends and customer expectations.

In the context of ensuring the sustainable development of titanium dioxide production, we continued our multi-year development project on integrated water management and waste reduction project. We have also planned for and started to implement new activities in the fields of carbon footprint reduction, use of renewable energy, re-use of materials and energy efficiency.

In further sections of the Report, more detailed information is provided for each business area as well as the presentation of the Company's financial situation and operations.

**Management Board of the Company**

## STATEMENT OF THE MANAGEMENT BOARD'S RESPONSIBILITY

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

The Management Board of Cinkarna Celje, d. d., hereby declares that the consolidated statements for Cinkarna Celje, d. d., for the period ending on 31 March 2022 have been prepared so as to represent a truthful and fair picture of the financial situation and operating results for Cinkarna Celje, d. d.

When preparing consolidated statements for Q1 2022, the same accounting policies were taken into account as for preparing the annual financial statements for Cinkarna Celje, d. d., for the financial year 2021.

Consolidated statements for the financial period ending on 31 March 2022, have been prepared in accordance with IAS 34 – Interim Financial Reporting, and must be read together with the annual financial statements prepared for the financial year ending on 31 December 2021.

The Management Board of Cinkarna Celje, d. d., is responsible for the smooth operation of the Company and for maintaining the value of the assets of Cinkarna Celje, d. d., as well as for preventing and detecting frauds and other irregularities. The Management Board expects that in the future, the Company will have at its disposal appropriate resources to pursue its operations; which is why the Company's financial statements have been prepared on a going concern basis.

To the best of their knowledge, the Management Board hereby declares:

- that the business report for Cinkarna Celje, d. d., for Q1 2022 includes a fair representation of the development, business performance and the Company's financial situation, including the description of all significant types of risk to which the Company is exposed,
- that the financial report for Cinkarna Celje, d. d., for Q1 2022 has been prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and that it is a truthful and fair representation of the assets and obligations, financial situation, operating profit or loss and the comprehensive income of the Company.

The Management Board adopted the financial statements, with the corresponding policies and explanation, on 26 April 2022.

### The Management of the Company

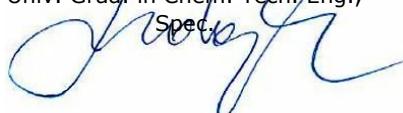
**President of the  
Management Board**

Aleš SKOK,  
Univ. Grad. in Chem. Tech. Eng.,  
MBA - USA



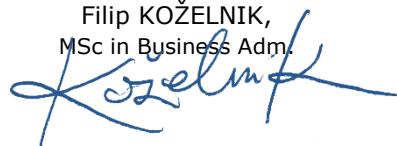
**Member of the Management  
Board – Deputy President  
of the Management Board –  
Technical Director**

Nikolaja PODGORŠEK SELIČ  
Univ. Grad. in Chem. Tech. Eng.,  
Spec.



**Member of the  
Management Board –  
Workers' Director**

Filip KOŽELNIK,  
MSc in Business Adm.



# 1 SALES

The Company's total sales in the discussed period of 2022 are 32% higher than the sales generated in the corresponding period in 2021. Total sales, i.e. net sales revenues, reached EUR 66.4 million. One of the highest monthly sales in 2022 was generated in March, amounting to EUR 22.7 million, which is a historical monthly record.

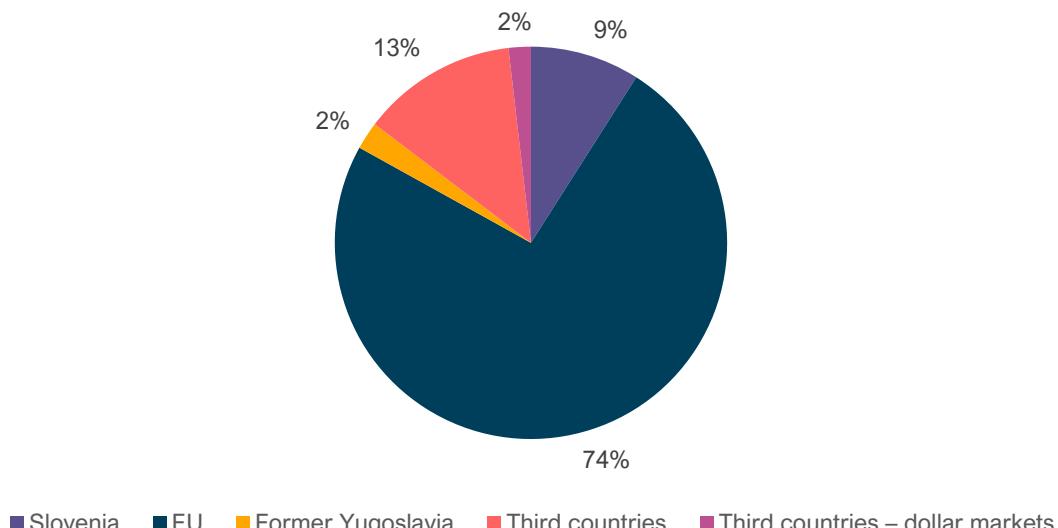
## 1.1 Sales by geographical segment

Total sales to foreign markets increased by 33% in Q1 2022 compared to Q1 2021. The increase in sales to foreign markets is undoubtedly a consequence of higher sales prices of pigment. In absolute terms, the clearest increase in sales is to the EU markets due to the shortage in the supply of European pigment and high costs of import of Asian pigment.

### Sales by geographical segment

	2021	2022	ΔPY%
Slovenia	4,819,408	5,770,906	+20
EU	37,530,636	51,603,062	+37
Former Yugoslavia	1,057,041	1,527,424	+44
Third countries	5,688,700	6,729,518	+18
Third countries – dollar markets	1,231,741	716,680	-42
<b>TOTAL</b>	<b>50,327,526</b>	<b>66,347,590</b>	<b>+32</b>

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



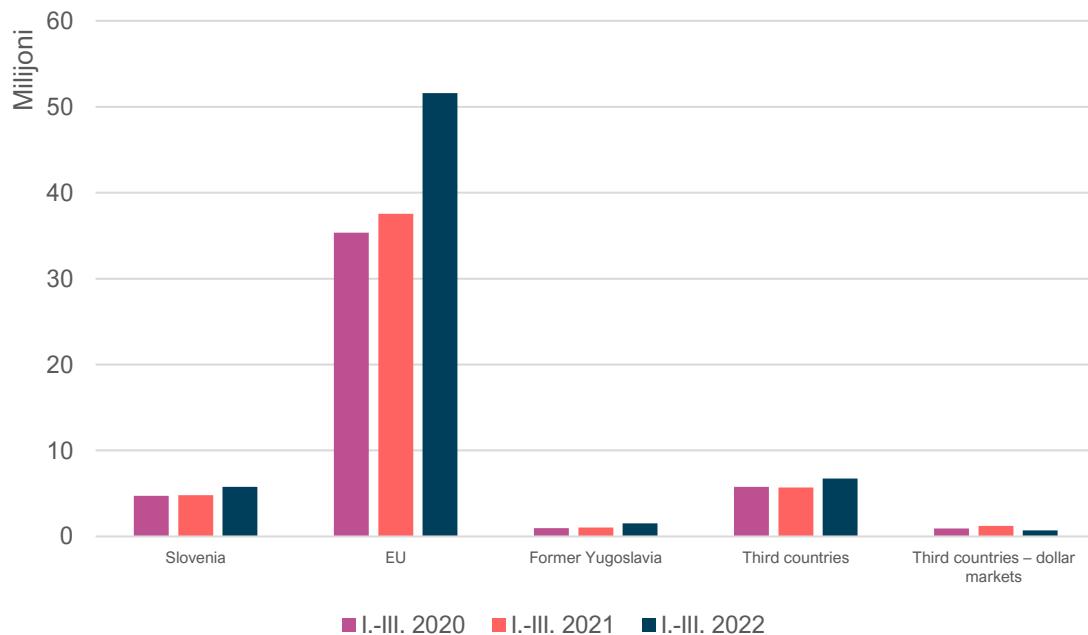
Sales to the EU market were 37% higher compared to sales generated in the corresponding last-year period. This excess was mostly due to higher sales prices of pigment and copper fungicides. The driving force behind the growth in the above market is increased demand for titanium dioxide and copper fungicides. One of the key markets is Germany, generating 30.7% of the export sales and 28.0% of the Company's total sales. The importance of the German market reduced somewhat as compared to the year before due to the objective maturity of the market.

Sales to the markets of the former Yugoslavia increased by 44%, which correlated to the higher sales of pigment and copper fungicides.

Domestic sales are 20% higher compared to sales generated in the corresponding 2021 period. The growth in sales was driven by growth in sales of all business units, except Chemistry Mozirje.

Minimum controlling market shares have been maintained in dollar markets, since higher placements would be unreasonable due to specific circumstances that are surely less favourable than in European markets.

### Sales by geographical segment in Q1 2020, 2021 and 2022



In the year under discussion, the share of total exports in the total sales of the Company accounted for 91.3% and was 0.9 percentage points lower compared to the year before. The decreased share of exports relates to the increased domestic sales. Most sales are generated by the export of the titanium dioxide pigment.

Quarterly changes in sales structure by national market can be seen and are in line with the situation predominant in each market. By and large, the structure depends on the profitability of markets, marketing strategy, political and economic security and reliability of markets.

## 1.2 Sales by geographical segment

### Sales by geographical segment

	2021	2022	ΔPY%
Titanium dioxide	40,337,553	53,624,231	+33
Zinc recycling	1,459,524	2,072,217	+42
Varnishes, coatings, masterbatches and printing inks	4,635,680	5,312,265	+15
Agricultural products	2,980,558	4,185,129	+40
Other	914,211	1,153,748	+26
<b>TOTAL</b>	<b>50,327,526</b>	<b>66,347,590</b>	<b>+32</b>

In the period discussed, the sales generated by the flagship product line, **titanium dioxide pigment**, reached EUR 53.6 million. Higher sales in terms of value by EUR 13.3 million are due to higher average sales prices. The contractual prices of the pigment in Europe had been rising sharply until 2021,

achieving three consecutive quarterly records, mostly due to supply constraints, lack of competitiveness of the Asian producers and higher costs. The lack of supply of pigment continues to affect the European market of titanium dioxide, with the key reasons being production disturbances and higher input prices. The already constrained European market is further burdened by imports from Asia which, in addition to higher transport costs, are hindered by severe measures taken against the coronavirus and the associated prolonged delivery dates. The demand is relatively stable, but there are signs indicating that consumption is slowing down due to inflation in Europe and the changing mood of the consumers.

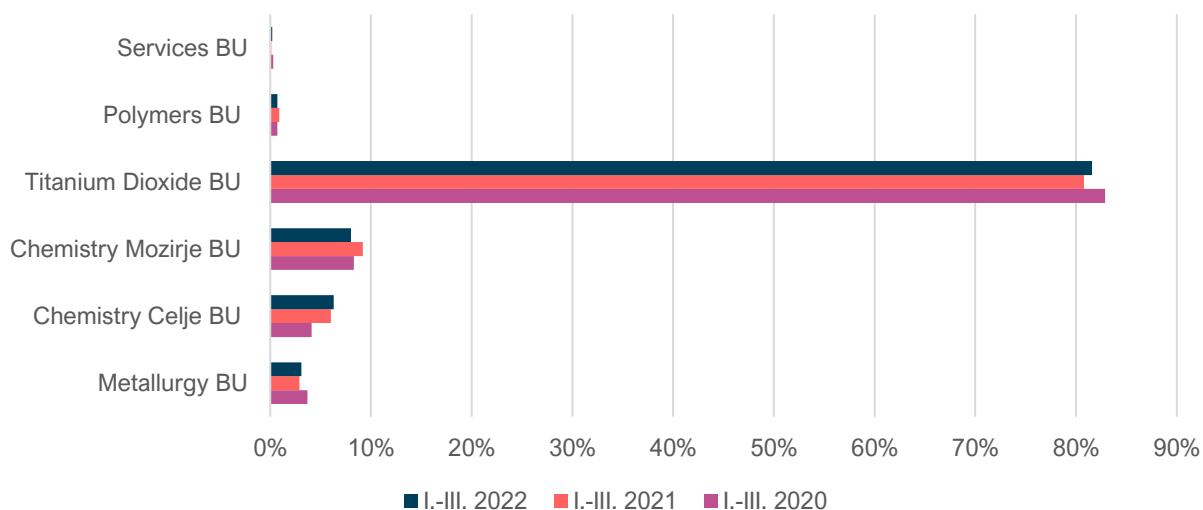
The **zinc processing** sales programme combines the product groups of zinc wire, anodes and alloys. The operations are 42% higher compared to the corresponding last-year period. The increase in sales is mostly due to higher zinc exchange prices and higher sales of zinc wire in terms of volume.

In the period discussed, there was a 15% increase in sales for the **varnishes, coatings, masterbatches and printing inks** programme, mostly relating to the higher sales of masterbatches. Compared to last year, the situation has further improved, which is associated with increased activity in the processing industry. At the same time, the average sales prices are higher due to increased prices of raw materials. Lack of perspective of the printing inks product group resulted in the closure of the cost centre.

The sales generated by the **agricultural product line** comprising the sales of copper fungicides, Pepelin, green vitriol (copperas) and Humovit rose by 40% compared to the corresponding 2021 period. The increase is due to both higher volumes and higher sales prices. The average sales prices of copper fungicides have increased significantly on account of higher exchange prices of copper and improved sales structure. In 2022, production of a commercially highly attractive active substance, i.e. tribasic copper sulphate (TBCS), has continued. Sales of Humovit have remained at the level generated in the corresponding 2021 period. It remains a fact that soil sales depend on the conditions in the local and neighbouring markets, since the product cannot withstand an additional transport cost to enter distant markets.

The **programme "other"** comprises the product lines of thermoplasts, polymers, elastomers, systems for the transport of aggressive mediums (STAM), sulphuric acid, CEGIPS, merchandise and services, and sales of abolished products and product groups. The sales value of the above group is 26% higher compared to Q1 2021. STAM sales are higher. The sales value of sulphuric acid is 143% higher. Regarding the programmes from this group/category, CEGIPS must be emphasised. This is because CEGIPS was sold at a volume of 16.9 thousand tons, which is important in the context of extending the Za Travnik service life.

#### Participation of each BU in the Company's total sales



The relative ratios have changed again in the period discussed. The Titanium Dioxide BU share has increased by 0.9 percentage points. In line with the higher sales value of metallurgic products, the share of Metallurgy BU has increased by 0.2 percentage points. The increased demand for copper fungicides and higher exchange prices of copper increased the share of Chemistry Celje BU by 0.3 percentage points. The share of Chemistry Mozirje BU is 0.4 percentage points lower.

The share of Polymers BU decreased comparatively. The scale of operations corresponds to increased investment activity of the regional pharmaceutical and petrochemical industries. Basically, this concerns the production of a technological system customised to a specific customer as ordered, which is directly dependent on the investment cycles of the industry in the relevant region.

The structure of sales by business unit has changed. A short-term consequence of the substantial changes is fewer business units and, in the perspective, increased relative importance of the core programme, i.e. titanium dioxide.

## 2 ANALYSIS OF PERFORMANCE

### 2.1 Operating result

In Q1 2022, **operating profit** was generated amounting to EUR 19.1 million. This result exceeds the operating profit generated in Q1 2021 (amounting to EUR 9.2 million) by 107%. The operating performance was therefore significantly better compared to last year, and also well above the business plan. This outperformance was driven by good sales volumes and increased sales prices of the flagship product. Operating profit or loss plus depreciation and amortisation, i.e. EBITDA, amounted to EUR 22.4 million, representing 33.8% of sales generated. EBITDA is 79% higher year-on-year.

After accounting for the impact of financial income and expenses, a **profit before taxes** of EUR 19.2 million was recorded in Q1 2022, while the profit from Q1 2021 amounted to EUR 9.2 million. The result before taxes increased by 109% compared to the year before. In Q1 2022, a positive financing balance amounting to EUR 107,000 was recorded (the financing balance in Q1 2021 was negative, amounting to EUR 63,300). The generated positive financing balance is driven by the positive balance of foreign exchange differences amounting to EUR 109,000, investment and interest income amounting to EUR 500, and a balance of other financial obligations amounting to EUR 2,500. The positive balance of foreign exchange differences amounting to EUR 109,000 represents an effective use of hedging instruments to manage volatile movement of the USD/EUR currency pair when purchasing titanium-bearing ores.

**The net profit for the accounting period** amounts to EUR 15.6 million, which exceeds the profit realised in Q1 2021 by 109% (EUR 7.4 million). Taking into account the developments in the international economy, in the titanium dioxide pigment market and, above all, the results of our competitors in the titanium dioxide industry, as well as the COVID-19 situation, we consider the result to be above average and above expectations. The net result comprises the profit before taxes and an income tax charge of EUR 3.7 million (the effective tax rate is therefore 19%).

### 2.2 Expenses and costs

The structure of consumption of raw materials, packaging and energy shows major deviations compared to the corresponding 2021 period. In relative terms, the most significant are the costs of energy, which are 92% higher compared to Q1 2021 due to the current situation in the energy market. By taking measures to improve energy efficiency, we strive to manage this cost category. The total direct cost of materials, energy and packaging is EUR 6.8 million higher compared to the corresponding 2021 period.

The purchase/sales price ratio has changed on account of higher input prices. The purchase prices of titanium-bearing raw materials are higher compared to last year. They are expected to further increase in the next quarters.

At the end of period, raw materials/material for production again account for the largest share of production costs (86.0%), followed by energy (12.2%) and packaging (1.8%).

The structure of labour costs is shown in the section Notes to Financial Statements 5, Labour costs. Gross salaries were formed according to the collective agreement provisions, taking into account the agreements between the unions and the Management Board. Transport allowance and meal allowance are in line with the current regulations. Labour costs include additional pension insurance, severance payments, other remuneration paid to the employees, solidarity support, loyalty bonuses and other items. The gross amount of holiday pay per employee for 2022 is EUR 1.023.92.

## **2.3 Assets**

**The share of non-current (long-term) assets** in the structure of all assets has decreased by 3.6 percentage points compared to the end of 2021 and amounted to 42.1%. The largest category of long-term assets are tangible fixed assets (95.6%). In the three months of 2022, their value decreased by EUR 1.6 million, or 2 %, for the difference between the invested amount into the tangible fixed assets and the actual depreciation charged. Long-term financial investments have not changed in 2022 and include shares and interests in companies. Deferred tax assets have also remained at the end of 2021 level. Other long-term assets are emission allowances obtained by the State free of charge. As at 31 March 2022, their balance is EUR 25,000 lower compared to the situation as at 31 December 2021 because they were submitted to ARSO for CO2 emissions in 2021.

**The share of current assets** in the structure of all assets has increased by 3.6 percentage points compared to the end of previous year, elevated and amounted to 57.9%. The most important categories in the structure of current assets in terms of value are cash (45%), trade receivables together with other current assets (32%) and inventory (26%).

**Inventory** decreased by 2% compared to the end of 2021, with a 2% increase in the value of material (including advances), a 13% increase in the value of unfinished production and a decrease by 13% in the total value of finished products and merchandise inventory (all compared to the end of 2021). The most important reason for the decreased inventory of finished products is the increased sales volume of pigment.

**Current financial receivables** include fair value of financial instruments, with a balance of EUR 6,900, compared to no balance at the end of 2021.

**Current trade receivables** include current trade receivables due from customers and current trade receivables due from others (mainly from the State for input VAT). Compared to the end of 2021, receivables increased by 51%. Receivables due from customers increased by 53%, while other current receivables increased by only 29%. A maturity breakdown of the receivables due from customers by due date indicates that the age structure of the receivables continues to be of high quality and is secured by an external institution or another insurance type.

**Cash** (and cash equivalents) account for 42% of the total value of current assets, with a 6% increase in cash compared to the year before. The relatively high value of cash is mainly due to the excellent performance throughout the year.

**Other current assets** include prepaid expenses accrued. Their value decreased by 1%.

## 2.4 Liabilities to resources

**The value of equity** in the structure of liabilities to resources as at 31 March 2022 accounts for 79.4%, which is 0.8 percentage points more than at the end of 2021. The amount of equity increased by 8.2% compared to the end of 2021. The increase (EUR 15.6 million) relates to net profit of Q1 2021. As at 31 March 2022, the Company holds 26,465 own shares (there have been no purchases of own shares in 2022 by the Company). There were no major movements in equity.

In total equity, the value of share capital amounts to EUR 20,229,769.66, and is comprised of 807,977 common freely transferable unit shares (of which 26,465 own shares are registered in the pool of own shares). Book value per share as at 31 March 2022 amounted to EUR 254.6 (i.e. an 8.2% increase since the beginning of the year when it was EUR 235.4).

**Provisions and non-current deferred income** account for 8.7% of payables. Provisions for pensions and similar liabilities were made as at 1 January 2006 (severance and jubilee bonuses) and are adjusted annually on the basis of actuarial calculations. Other provisions were established in the privatisation ownership process under environmental provisions. In recent years, the following environmental provisions have been made: EUR 5 million in 2010 for the remediation of the Bukovžlak solid waste landfill, and EUR 7 million plus EUR 5 million in 2011 for the remediation of the Za Travnik landfill and the destruction of low-level radioactive waste, respectively. At the end of 2017, the provisions were examined in more detail and re-checked; only the provision for the elimination of old burdens amounting to EUR 6.4 million was reformulated. At the end of 2021, the extent of provisions was re-checked; they were appropriately modelled according to the actual market situation. The extent of environmental provisions in the period discussed decreased by 1% or EUR 246,000 on account of the designated coverage of expenses for the above remediation projects. Non-current deferred income increased by 3%.

**Financial and trade payables** increased by 7% compared to the end of the previous year on account of a 4% increase in payables to suppliers for the undue strategic deliveries and extension of payment terms, and of a 14% increase in other current payables for taxes, employee contributions payable and income tax (income tax for 2021 amounting to EUR 3.9 is due in April 2022). All financial and trade payables are current. The Company's gross gearing ratio amounts to 11.1%, i.e. a reduction by 0.1% compared to 31 December 2021.

**Current financial liabilities** as at 31 March 2022 amounted to EUR 67,000, i.e. 3 times less than at the end of 2021 (when they amounted to EUR 198,000); the difference related to the decreased extent of our accounts payable and the assignment of receivables from our suppliers. The Company's gearing ratio therefore amounts to 0.26% (0.82% at the end of 2021).

**Current trade payables** decreased by 4% in the period discussed. Current trade payables to suppliers amounted to EUR 19.5 million as at the last day of March 2022, i.e. a 4% increase compared to the end of 2021, on account of extended payment terms to suppliers and increased purchases due to higher purchase prices of raw materials. Other trade payables decreased by 40% (or EUR 1.8 million), mostly covering EUR 1.2 million payable for net salaries and other net payments from work relationships, EUR 1.4 million payable for contributions and taxes from and on remuneration, and EUR 0.1 million payable for VAT and to other institutions.

**Other current liabilities** increased by 29% in the period discussed. They mainly comprise accrued liabilities for annual leave and labour costs, accrued environmental contributions and taxes, and VAT on advances made.

### 3 HUMAN RESOURCES

As at 31 March 2021, Cinkarna had 782 employees, which is 11 or 0.5% fewer compared to the end of 2021. Minor changes in the number of employees at individual BUs can be observed.

The average number of employees in Q1 2022 is 783, which is 29 or 3.6% fewer than the average number of employees in the corresponding 2021 period.

In communication with the employees, open and multi-way communication between the Company's Management Board, employees, Workers' Council and two representative unions is encouraged. In addition to informing the employees on the current general situation, it is also highly important to obtain feedback and suggestions from the employees, which has a positive influence on the good work atmosphere in the Company, promotes a good organisational culture and increases the sense of belonging to the Company and strengthens trust by the employees in the Company's management.

The area of communication was in the focus of the Company's Management Board, directors of business units and the Workers' Council also in Q1 2022, which was implemented through a range of communication channels. In order to provide our employees with information, the following printed and electronic media were used: email messages from the Management Board using a dialogue of our Company's mascots (Cinko and Cinka), Informator – printed version, Cinkarnar, the Company's journal – twice per year; Facebook and LinkedIn accounts of Cinkarna Celje are also active on social media, a union information sheet is also issued and our own Sharepoint (intranet and extranet) is established. Bulletin boards remain interesting and active as always for publishing news. Throughout the Company, there are more than 70 bulletin boards serving as a means of communication.

In the field of social work, activities underway in 2022 related to individual resolution of workers' problems, redistribution of disabled workers, ergonomics, prevention for employees and retiring those employees who have met the relevant conditions.

The average absenteeism rate in Q1 2022 increased by 2.7 percentage points to 20.1% (of which 7.4%, or 37% of total absenteeism, was due to sickness, or 1.3 percentage points more than in Q1 2021) compared to Q1 2021, due to higher sick leave, mainly due to COVID-19, and consequently more absenteeism and less leave taken in the current year to ensure the smooth running of the Company's operations. The percentage of sick leave at the Company level increased by 22% compared to the year before.

## 4 THE COMPANY'S MOST IMPORTANT OPERATIONAL RISKS

Cinkarna Celje, d. d., is a regional company operating in the international area and thus faces risks of an economic, social and environmental nature. In order to effectively identify risks (opportunities), assess, prioritise, manage and control them as well as report on them, a comprehensive risk management system has been developed (SRM). It combines a series of subsystems and tools, and their coordinated functioning ensures their operation irrespective of the content of processes or the hierarchical level of the Company's organisational structure.

Risks are identified and assessed using a combined qualitative/quantitative method determining the potential of a scope/impact and the likelihood of each event. In a transparent manner, individual risks are combined according to the following areas, and such distribution is also used for external reporting.

- I. Sales risks.
- II. Production risks.
- III. Financial risks.
- IV. Risks related to zoning and environmental legislation.
- V. HR and organisational risks

The SRM process or functioning is continuous, and reporting to the external public is done every 3 months as part of regular statutory reporting. SRM is described in more detail in the Annual Report. The overview of key risks provided below is updated and based on the situation and expectations present at the time the report is being prepared.

### **1. Sales risks**

<b>Product sales risk</b>	Probability of occurrence	Amount of damage
	<b>Moderate</b>	<b>Moderate</b>
Definition	The risk is associated with the possibility and ability to successfully sell products in target markets. It relates to the increasing negotiation power of customers, economic (in)stability of markets, growing power of competitors (due to capital concentrations) and the suitability of the elements of our own marketing mix (price, product, market, promotion). At the same time, the problem of increasing production capacities in China is becoming a long-term trend affecting the industry's structure in the longer period. Sales generated by the flagship product are partly also affected by changes in consumer habits resulting from the epidemic. The current Russo-Ukrainian conflict brings the risk of changing European consumer habits/sentiment.	
Management	The risk is directly mitigated through the expansion of our sales network, diversification of the production and sales portfolio, introducing new and shortening existing sales channels, developing marketing partnerships and developing new products allowing us to enter new markets and sectors. In recent years, product sales risk has also been actively reduced through the optimisation of the sales portfolio in terms of excluding products of high market risk. Through target-oriented technical investments, our sales portfolio is directed towards applications and markets of a more demanding nature with a higher quality that represent a shift from the commodity markets characterised by lower added value and high exposure to Chinese pigment at favourable prices. Indirectly, sales risks are also managed through systematic monitoring and comparative analyses of the relevant sectors (competitors and customers), participation in marketing and professional industry events, and the introduction of standards in the field of quality management, safety, environment and health. The risk is also managed through strategic development and maintenance of so-called compensation markets (USA, Near/Middle East), where we can direct any excess unsold volumes, taking into account the current profitability of these markets.	
<b>Purchasing risks related to raw materials and energy</b>	Probability of occurrence	Amount of damage
	<b>High</b>	<b>High</b>
Definition	The Company is highly dependent on purchasing high-quality and appropriately priced raw materials and energy. These are mostly standardised raw materials of a global nature (often traded in organised markets): titanium-bearing raw materials, copper, zinc and sulphur. The negotiating power of suppliers is high (with an upward trend). In the long-term, the risk regarding prices and availability is considerable. The current market situation in the field of titanium-bearing raw materials is considered relatively stable. The risk related to energy products (gas and electricity) is high and significant both in the short- and long-term due to extreme volatility and price movement and due to objective resource scarcity in the long-term. There is also an emerging risk of lack of supply of Russian	

	natural gas. Also increasing are the risks of price fluctuation for procuring raw materials, the cost price of which is largely linked to energy costs. The prohibited cooperation with Russian-owned refinery plants increases the risk of non-supply of sulphur.					
Management	The risk is being mitigated through seeking and evaluating alternative sources of raw materials (catalogues of verified raw materials and suppliers have been prepared). Long-term and stable partnerships are being built in a targeted manner. Alone and together with market specialists, we monitor and analyse the situation in international markets. We maintain regular contact with suppliers with whom we do not cooperate but who are a potential high-quality alternative. We develop infrastructure, information systems, technologies and products, in order to limit the use of key raw materials, reduce dependence on individual suppliers and mitigate the risk of purchase price volatility. Wherever possible, we conclude long-term purchase agreements, use different hedging systems, balance the structure of consumption of each energy product and continuously take measures/implement projects to optimise energy consumption (ORE). The goals in the field of specific consumption of raw materials and energy are being regularly included in the integrated management system. There is an ongoing project aimed at minimising the risk of non-supply of natural gas.					
<b>Risk related to macroeconomic situation in target economic areas</b>	<table border="1"> <tr> <td>Probability of occurrence</td> <td>Amount of damage</td> </tr> <tr> <td><b>Moderate</b></td> <td><b>Moderate</b></td> </tr> </table>		Probability of occurrence	Amount of damage	<b>Moderate</b>	<b>Moderate</b>
Probability of occurrence	Amount of damage					
<b>Moderate</b>	<b>Moderate</b>					
Definition	Since the Company operates with no geographic restrictions, it is also exposed to the risk related to changes in the regional and global macroeconomic situation, political/security situation and even harmful climatic events. Most negative consequences cannot be assessed. The general risk related to the macroeconomic situation is undoubtedly present at this time, but we believe we are sufficiently prepared for an additional downturn. Special caution and attention is still required due to the escalations of relations between Russia and the West, the complex security situation in the Near/Middle East and the effect of the ongoing epidemic on the wider economy.					
Management	The risk is being mitigated through focusing on relatively safe and stable markets within the EU+ (more than 80% of sales), while sales outside the EU+ are dispersed over a wide portfolio of markets such as: USA, Near/Middle East and Far East. We develop a balanced sales structure in terms of risks/profits. An important part of the strategy aimed at managing this risk is flexibility in directing sales to different geographical markets. This is how we maintain an optimum scope of the so-called compensation markets. At the same time, we regularly monitor macroeconomic forecasts and projections, and adjust our business policy accordingly. The developments in different countries are monitored in detail, and we promptly assess and adjust our business decision together with our local partners. The manageable risks (e.g. financial) are being strategically reduced so as to increase compensation capacity in objective risks in the global economic area.					
<b>Climate-related market risks</b>	<table border="1"> <tr> <td>Probability of occurrence</td> <td>Amount of damage</td> </tr> <tr> <td><b>Low</b></td> <td><b>High</b></td> </tr> </table>		Probability of occurrence	Amount of damage	<b>Low</b>	<b>High</b>
Probability of occurrence	Amount of damage					
<b>Low</b>	<b>High</b>					
Definition	Our industry and the end markets to which we sell our products are subject to technological change, product improvements, and changes in the context of product regulation 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 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 gas emissions. Each of our business segments 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>Risk related to the availability of work equipment</b>	<table border="1"> <tr> <td>Probability of occurrence</td><td>Amount of damage</td></tr> <tr> <td><b>High</b></td><td><b>Low</b></td></tr> </table>		Probability of occurrence	Amount of damage	<b>High</b>	<b>Low</b>
Probability of occurrence	Amount of damage					
<b>High</b>	<b>Low</b>					
Definition	Cinkarna Celje, d. d., is a capital-intensive company as well as a processing industry with a large share of continuous processes. In terms of load and use of work equipment, the situation is highly unfavourable (chemically aggressive substances, high temperatures, pressures, etc.).					
Management	The risk is being mitigated through a professionally elaborated/excellently organised condition-based maintenance system. Special emphasis is put on preventive maintenance implying excellent technical diagnostics. At critical spots, operational security is ensured through integrated back-up equipment.					
<b>Risk related to accidents, fires, uncontrolled substance releases</b>	<table border="1"> <tr> <td>Probability of occurrence</td> <td>Amount of damage</td> </tr> <tr> <td><b>Low</b></td> <td><b>High</b></td> </tr> </table>		Probability of occurrence	Amount of damage	<b>Low</b>	<b>High</b>
Probability of occurrence	Amount of damage					
<b>Low</b>	<b>High</b>					

<b>into the environment and work accidents</b>		
Definition	The chemical-processing and metallurgical industry implies the risk of the occurrence of such accidents.	
Management	<p>The risk is being mitigated through systematic assessment of impacts on the environment and employees, periodic fire risk assessments and by systemising jobs according to risk assessment. In the field of restricting environmental impacts, European environmental standards were systematically introduced by implementing the principles of the Responsible Action Programme and by harmonising our operations with the IED Directive requirements. Our processes are being carried out by following the BAT (Best Available Technique). As regards fire safety, our own firefighting unit has been organised, and the Company has appropriate fire insurance. In the field of work accidents, an expert service has been organised, which provides for the observance of occupational health and safety rules and measures. We organise regular trainings and education courses for the employees. The Company holds liability insurance. Written agreements are concluded with external contractors, and trainings are carried out for them. A permanent coordinator for safe and healthy work has been engaged. Work instructions in terms of maintenance interventions for fire prevention, accident prevention and improving cleanliness in the working environment have been introduced. Since 2009, the ISO 14001 environmental management system and the ISO 45001 safety and health management system has been in place, certified and supervised by an authorised institution.</p> <p>A part of the Company is certified for environmental compliance with the entry in the EMAS register at the Ministry of the Environment. A risk assessment with the protection and rescue plan has been prepared. Annual framework and implementing goals allow for the identification and elimination of process risks for the environment, safety and health. Evacuation drills are performed according to the programme.</p> <p>In 2020, a revision of the environmental risk assessment according to the SEVESO Directive was prepared, and a revised environmental permit under this directive was obtained in 2021. We are conducting improvement measures resulting from this re-assessment.</p> <p>We are conducting comprehensive remediation of the Bukovžlak non-hazardous waste landfill, regular technical monitoring of the Bukovžlak and Za Travnik high embankment barriers, regulatory monitoring and the necessary maintenance work in order to reduce the potential for accidents in this area.</p>	

### **III. Financial risks**

<b>Foreign-exchange risk</b>	Probability of occurrence	Amount of damage
	<b>Low</b>	<b>Low</b>
Definition	Cinkarna Celje, d. d., performs purchasing and sales in the global market, which makes it exposed to the risk related to unfavourable foreign exchange rates. This mostly concerns the exchange rates between EUR and USD. Because most sales are made in EUR, the exposure is problematic particularly for dollar-denominated purchases of titanium-bearing ores and sometime copper compounds.	
Management	The movement and forecasts regarding the dynamics of the EUR/USD exchange rates are continuously monitored. Based on market data and prices of financial instruments (hedging costs), our strategy (method and scope) on how to secure cash flows is being promptly prepared. Basically, the risk related to unfavourable changes in USD exchange rates is being mitigated in two ways. A part of the exposure is being covered by operational hedging, i.e. foreign exchange coordination of sales and purchases, while systematically, the risk of short-term fluctuations is being mitigated through the use of short-term financial instruments (mostly dollar futures).	
<b>Credit risk</b>	Probability of occurrence	Amount of damage
	<b>Moderate</b>	<b>Low</b>
Definition	This is a risk of potential non-fulfilment of customers' contractual obligations, meaning that the customers are late or default on overdue liabilities. The risk is limited, since we do business mostly with long-standing partners, which are often recognised traditional European industrial companies with a high credit rating. Over recent years, it has been noticed that the payment discipline in Slovenia, the Balkans and Eastern Europe is relatively poor, but no additional problems are expected in the future in this area. The exposure to credit risk has significantly decreased through the reorganisation of the portfolio of the Company's strategic business areas, i.e. by closing down the product lines of graphic intermediates, titanium-zinc rolled sheets, anti-corrosion coatings and construction compounds. In the context of credit risk, it is important to recall the consequences of the unclear outcome of the epidemic and the related changes in consumer habits.	
Management	The risk is being mitigated through developing long-term partnerships, established verification of the credit rating of new domestic and foreign customers, selection of reliable customers, periodic monitoring and verification of our customers' business status. We also use a system of credit limits in order to systematically limit the potential damages. A department (with appropriate IT infrastructure) has been established to dynamically monitor the maturity of outstanding receivables, the balance of overdue receivables and their recovery. Regarding mediation, judicial and non-judicial recovers, we also cooperate with external providers of such services. On a case-by-case basis, payment security	

instruments (securing claims, advance payments, bills of exchange, cheques, documentary letters of credit, bank guarantees or documentary collections) are used.

#### **IV. Environmental, zoning and legislative risks**

<b>Rehabilitation of the Bukovžlak non- hazardous waste landfill</b>	Probability of occurrence		Amount of damage
	<b>Low</b>	<b>High</b>	
Definition	In Q4 2010, the Management Board of the Company adopted the decision not to include the Bukovžlak non-hazardous waste landfill in the application for an environmental permit because of the high financial burdens and limited availability/capacity of the landfill, and to initiate the landfill closure procedure.  An integral rehabilitation is required to ensure long-term safety and minimise negative environmental impacts.		
Management	In 2016 and 2017, the first phase of the integral remediation was carried out – reinforcement of the barrier body.  Further works to prepare project documentation showed the need for additional interventions, which had not been anticipated in 2010 when the provisions were formed, so an additional provision amounting to EUR 782,563 was formed at the end of 2017.  The remaining phases of integral remediation (cover, background water drainage, central and western drainage, diversion dam) were initiated in June 2020 in accordance with the obtained integral construction permit. In terms of risk management, the most challenging operation (construction of the J20 shaft) was completed by the end of 2020.  Interim investigations showed the need for additional remediation works in the area of C1 drainage, which drains the Bukovžlak high embankment barrier but runs along the edge of the ONOB, and the construction of a sealing curtain in the NE of the ONOB to prevent the spread of contaminated groundwater to downstream areas. Towards the end of 2021, the prices of materials and services increased significantly. In order to cover the above additional remediation works and the expected cost increases, an additional provision amounting to EUR 3,452,592.32 was formed in the 2021 operating result.  The overall scope of the remediation is being extended for future implementation due to additional design and implementation work on the C1 drainage and the sealing curtain.		
<b>Availability of the Za Travnik waste disposal plant</b>	Probability of occurrence		Amount of damage
	<b>Moderate</b>	<b>High</b>	
Definition	The time to dry backfilling of the Za Travnik waste disposal plant is limited. It depends on free volume, the quantity of pigment production and quantity of the separated by-product. Backfilling of the waste disposal plant means stopping titanium dioxide production.		
Management	A maximum quantity of CEGIPS is being produced, thus minimising the quantity of red gypsum for disposal.  The integral remediation permit obtained for the Bukovžlak non-hazardous waste landfill, the use of red gypsum to make an airtight cover and build a diversion dam has been approved.  The project for backfilling red gypsum into the Za Travnik waste disposal plant has been revised in order to optimise backfilling (higher natural settlements). Considering the changed circumstances (increased removal of white gypsum, different crystal structure, settlements), a new assessment of the available backfilling volumes has been prepared.  All these measures prolong the time to backfilling. In line with Article 9 of the Decree on the Building Plan for the Za Travnik Landfill in the Municipality of Šentjur, the procedure to amend the Spatial Plan was initiated, which will also include the possibility for additional backfilling based on new expert findings. Starting points to amend the Spatial Plan are being prepared.  The option to change the waste acid processing technology, which currently results in the formation of red gypsum, is also being examined. This would reduce the production's dependence on the available backfilling volumes.		
<b>Ensuring the stability of barriers</b>	Probability of occurrence		Amount of damage
	<b>Low</b>	<b>High</b>	
Definition	Barriers are a hazard in the event of a collapse. A strong earthquake is a special risk.		

	<p>The prescribed monitoring analysed once a year by experts from the Faculty of Civil and Geodetic Engineering of the University of Ljubljana is carried out. All the recommendations are followed by promptly doing maintenance works.</p> <p>A dam-break wave project has been prepared.</p> <p><b>Za Travnik high embankment barrier</b></p> <p>A network for technical monitoring at the Za Travnik dam has been upgraded and the primary and secondary geodetic monitoring networks were renewed. Additional measures for protecting and draining at the eastern side are planned. Based on the data from the monitoring wells, a new water balance will be ordered for any measures to be implemented on the western bank of the dam. Due to the improved situation following remediation works in the previous years, environmental provisions were reduced to EUR 450,000 based on expert assessment of necessary works. In the light of the revision of the works, material and service costs, the provision was increased by EUR 15,921.41 against the 2021 operating result.</p> <p><b>Bukovžlak high embankment barrier</b></p> <p>Regular maintenance at the Bukovžlak high dam for red gypsum is performed. At the end of 2017, a provision amounting to EUR 3 million was formed with the aim of a more comprehensive remediation of this barrier.</p> <p>In 2018, new monitoring wells were drilled at the eastern side of the barrier, and monitoring began in 2019. Based on the data obtained, a plan for remediation intervention will be prepared. Based on the lessons learned and by taking into account the increased material and service prices, a revision of the resources needed was done. In line with the re-assessment outcome, an environmental provision amounting to EUR 232,700.00 was additionally formed and debited to the 2021 operating result.</p> <p>A concept project for lowering the lake water level that would significantly contribute to the safety of the barrier was prepared. An improvisation of the level lowering was done in order to obtain data for further work. Seismic monitoring of the Bukovžlak high embankment barrier has been established; however, it does not operate while remediation works at ONOB are underway, with the permission of the Administrative Authority.</p> <p><b>ONOB embankment barrier</b></p> <p>The remediation of the Bukovžlak non-hazardous waste landfill (ONOB) barrier was carried out in 2016 and 2017. The integral remediation of the entire landfill began in June 2020, with the aim of improving the barrier's long-term stability.</p>	
<b>Management</b>	Probability of occurrence	Amount of damage
	<b>Low</b>	<b>Moderate</b>
<b>Definition</b>	<p>The results of the environmental due diligence – phase VI revealed that the current production location in Celje is built on waste from past activities. The deposited waste has an impact on groundwater, which can affect human health and the environment.</p>	
<b>Management</b>	<p>Several simultaneous activities have been performed to determine the potential impact on human health and the environment, and the public was promptly informed of the results. In August 2018, the Human Health and Environmental Risk Assessment resulting from the consumption of agricultural crops produced under the Bukovžlak non-hazardous waste landfill was completed and its results publicly presented. The contaminated perched underground water under the Bukovžlak non-hazardous waste landfill was found to have no negative impact on the crops. In November 2018, the ecotoxicological study of old burdens at the current site of production in Celje on the living organisms in the Hudinja and V. Ložnica watercourses was presented. Four sites revealing a need for action were identified. In 2019, the first part of the activities was carried out to amend the Ecological Risk Assessment on segments for which previous research had not provided a sufficient causal explanation. There is still one site that cannot be explained and requires some additional sampling. A comparison between the requirements of the Slovenian, German and Dutch legislation and a summary of the current work were prepared, and the documents submitted to the Ministry of the Environment and Spatial Planning. In its reply, the Ministry states that the current environmental legislation does not lay down any measures, so they are unable to participate in the working group. Cinkarna may prepare the measures on its own.</p> <p>Considering the above, the Management Board ordered a revision of the legal opinion. CDM Smith was commissioned by the Management Board to prepare a proposal for technically feasible remediation measures, including a feasibility assessment, for the two most polluted sites at the current production location. The proposed measures have not provided the expected result, so an R&amp;D task was initiated with the aim of examining the option of treating the polluted underground water at the existing wastewater treatment plant in order to neutralise the waste acid. The results of the examination were positive. The Ministry was informed thereof, which in principle agrees with the treatment proposal. The procedure for obtaining a permit for underground water pumping was initiated.</p>	
	Probability of occurrence	Amount of damage

<b>Water permit for pumping process water from the Hudinja river</b>	<b>High</b>	<b>High</b>
Definition	Continuous measurement with regular data on the flow and volumes pumped is required. In dry months, production might be restricted.	
Management	<p>In line with the deadline, permanent flow measurements were established by the end of March 2022.</p> <p>We are looking for solutions and, to a minor extent, already make investments for partial water recycling.</p> <p>An application was submitted to the Slovenian Water Agency to amend the water permit in line with expert bases prepared by the Institute for Water of the Republic of Slovenia. In view of the expert bases, somewhat milder requirements regarding the specification of the environmentally acceptable flow are expected.</p> <p>Because the procedure is lengthy and its outcome unpredictable, it was undertaken in 2020 to check whether technological water could be obtained from other sources. The project task has shown that the existing reservoirs of Šmartinsko Lake and Slivniško Lake are not a potential solution due to other intended purposes, environmental requirements and insufficient capacities. Building reservoirs is not an economically acceptable solution.</p> <p>While collecting 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 (HMWB), which is subject to different criteria for determining the environmentally acceptable flow. The Ministry rejected the initiative as inappropriate.</p> <p>Considering the rejection of the above initiative, we are discussing conceptual solutions for:</p> <ul style="list-style-type: none"> <li>- using our own reservoir at Bukovčlak,</li> <li>- using water from the Tremenje wastewater treatment plant,</li> <li>- intermittent operation with lower production capacity, partial use of drinking water for technological purposes and internal recycling.</li> </ul>	
<b>Action brought by the Municipality of Celje</b>	Probability of occurrence	Amount of damage
Definition	<b>Low</b>	<b>Low</b>
Management	The Municipality of Celje (MOC) is seeking reimbursement from the Company for the costs of soil remediation resulting from excavations made during construction works (utility lines) by a construction company acting on behalf of the investor (MOC). The excavation was carried out on the land (the so-called old Cinkarna site) which MOC had taken over from the Company under a contract for the free transfer of redundant assets. The material was excavated in 2009. At the time of excavation, the material was classified as material that cannot be deposited on non-hazardous waste landfill due to a high content of heavy metals. Based on the decision of the Administrative Authority, the material was remediated by MOC through an external provider. Before that, MOC had unsuccessfully sued the construction contractor, against which bankruptcy proceedings were initiated in the meantime.	
<b>Climate-related legal risks</b>	Probability of occurrence	Amount of damage
Definition	<b>Moderate</b>	<b>High</b>
Management	Our operations and production units are subject to extensive environmental, health and safety laws, regulations and enforcement at the national, international and local levels in many jurisdictions, relating to pollution, environmental protection, climate change, transportation and the storage of raw materials and finished products. Cinkarna, being an energy and emission intensive company, may be subject to the applicable and emergent regulations focusing on energy use and efficiency as well as emission reduction. Such regulations could result in significant additional compliance costs, including increased costs for the purchased energy, additional capital costs for the installation or modification of equipment generating greenhouse gas emissions, and/or additional direct costs associated with greenhouse gas emissions (CO <sub>2</sub> allowances). Our operating results could be negatively affected by judicial proceedings and other obligations and unforeseen events. As a public company, Cinkarna is required to disclose detailed financial reports according to the applicable legislation and standards, also covering the descriptions of material risks.	
Management	Cinkarna has processes in place involving different departments and organisational units to monitor regulations and provide input to be considered in the risk management process at the Company. Legal risks and any judicial proceedings are being closely monitored and managed in relation to the provision of transparent and consistent information for shareholders, including matters that could be important and associated with climate change.	
	Probability of occurrence	Amount of damage

<b>Climate-related technological risks</b>	<b>Moderate</b>	<b>High</b>
Definition	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 changing end-use markets, including markets that offer solutions to global challenges such as energy efficiency and climate change. Failure to follow the progress in technological innovations, including those relating to the development of alternative uses for, or the use of, developed products that utilise such end-use products, may negatively affect our financial situation and operating results. Technology is of the utmost significance for the Company's ability to face risks associated with climate change. The Company has mature, large capital-intensive assets, which are intensive both in terms of energy and emissions. There is little innovation in most of these technologies, which makes technological changes challenging. The alternatives for emission reduction such as carbon capture and storage, or the use of electrification of processes are too costly and mostly not evidence-based at this point.	
Management	The Company constantly seeks new technologies, assesses and considers market- and technology-related trends to reduce emissions and to identify opportunities to improve product characteristics and/or develop new products, which also address climate risks. It is important to be aware of the current effective technologies and future technological trends that can be adopted as an aid to climate-related risk management. The Company has processes in place to monitor the evolving technological trends.	
<b>Reputational risk</b>	Probability of occurrence	Amount of damage
	<b>Low</b>	<b>High</b>
Definition	Stakeholders expect us to act responsibly and proactively when faced with the challenges posed by climate change. Some major investors are becoming more explicit regarding the risk of climate change to the financial market. If sustainability-oriented investors or customers see 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 a termination of cooperation and to lower sales and reduced market value. This aspect of our reputation could also be important from an employer branding perspective, as it affects our ability to attract and retain new, especially young employees.	
Management	The Company has processes in place at departments and individuals responsible for investor relations, environment, health and safety, marketing, product sustainability and obtaining human resources to collect feedback from stakeholders and provide feedback to be considered in the risk management process at the Company. Reputational risk is one of our assessment measures within the risk management process at the Company and is used for the assessment of whether the risk for the Company is high or not. A recent commitment to obtain electricity from solar energy contributes to the mitigation of climate change and helps reduce reputational risk.	
<b>Climate-related acute physical risks</b>	Probability of occurrence	Amount of damage
	<b>Low</b>	<b>High</b>
Definition	The Company has 5 production units in Slovenia not prone to the acute physical impact of climate change. The changes to physical climate parameters may lead to extreme weather conditions, which might, in the future, pose a risk for our production capacities and supply chains.	
Management	Our crisis management and business continuity plan and the plans for emergency preparedness detail the measures to be taken in case of natural disasters and extreme weather conditions.	
<b>Climate-related chronic physical risks</b>	Probability of occurrence	Amount of damage
	<b>Moderate</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. Production units may be affected by chronic effects of climate change such as drought, rising/falling water levels, temperature rise and changes in rainfall patterns.	
Management	The Company has processes in place across departments and individuals for monitoring evolving issues with water supply and/or potential chronic effects of climate change, and for the provision of information to be considered in the risk management process at the Company.	

## 5 SHARES and OWNERSHIP STRUCTURE

### 5.1 Ownership structure

The share capital of Cinkarna Celje, d. d., amounting to EUR 20,229,769.66 € is divided into 807,977 ordinary freely transferable unit shares. As at 31 March 2022, the Company has a treasury share pool of 26,465 shares (or 3.28% of the total issue). The number of shareholders at the end of the period is 2,064. The ownership structure as at the last day of the first quarter of 2022 is shown in the table below.

**The ownership structure of Cinkarna Celje, d. d.**

	No. of shares	%
Modra zavarovalnica, d.d	162,963	20.17
DUTB, d. d	104,504	12.93
SDH, d.d	92,950	11.50
UNICREDIT BANK AUSTRIA AG – FID	36,170	4.48
TR5 d.o.o	26,669	3.3
Treasury shares	26,465	3.28
RAIFFEISEN BANK AUSTRIA D.D. – FID	18,509	2.29
KRITNI SKLAD PRVEGA POKOJNINSKEGA SKLADA	16,705	2.07
Generali Rastko Evropa, delniški	10,731	1.33
CITIBANK N.A. – FID	10,610	1.33
NLB SKLADI - SLOVENIJA MEŠANI	10,465	1.3
Internal shareholders – FO	6,431	0.8
External shareholders – FO	170,280	21.07
Others	114,525	14.17

## 5.2 Shares trading

Trading in the shares of Cinkarna Celje, d. d., with the trading code CICG, takes place on the free securities market. The first day of trading was 6 March 1998 when the unit price stood at EUR 33.71.

**Trends of the market value of shares (unit price on the last day of the month) and turnover of shares:**

	Unit price		Turnover
	Year 2021	Year 2022	
JAN	186	265	1,231,506
FEB	200	244	1,257,656
MAR	206	278	1,585,006
APR	215		
MAY	232		
JUN	229		
JUL	233		
AUG	248		
SEP	238		
OCT	240		
NOV	259		
DEC	259		

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

The value of the share of Cinkarna Celje, d.d., listed in the first quotation of the Ljubljana Stock Exchange (CICG), fluctuated between € 237/share and € 278/share during the period under review. From the last trading day of 2021 to the last trading day of the first quarter of 2022, the value of the share rose by 7%.

## 6 CORE DEVELOPMENTAL ACTIVITIES

### 6.1 Investments

In the first quarter of 2022, we spent €1.8 million on investments, the purchase of fixed assets and the replacement of equipment, and environmental investments, representing just under 13% of the planned 2022 budget.

The largest deviations from the plan are in the area of investments, where we implemented 7.8% of the plan. In terms of the major planned investments, the first part of the year is mainly devoted to pilot testing, defining requirements, gathering bids and their technical and commercial coordination, so that the investments during this period are usually disproportionate. The investments in replacement equipment amount to 20.5%. This is well ahead of the plan, mainly due to the strong extension of delivery times. In fact, the lack of materials can seriously jeopardise our operations. In the area of the acquisition of fixed assets, the outturn is 11.9%. The reason for less than a quarter of the plan being achieved is similar to that for investments.

As usual, the largest share of our investments this year was made in titanium dioxide production in order to continue the activities of our multi-year project.

The main part of the funds planned in the area of the use of environmental provisions (10.3%) was earmarked for the rehabilitation of the Bukovžlak non-hazardous waste landfill. Work on this facility is progressing according to plan.

A test field for the new drainage channel C under the Bukovžlak high barrier was carried out.

We also invested in the rehabilitation of individual buildings (Operational Maintenance Building TiO<sub>2</sub> – phase III, replacement of windows in the powder coating production unit within the BU KM).

### 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 ones are highlighted below.

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

They are described in more detail in the chapter on Environmental management.

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

We are working in more detail on options for producing commercially attractive products to facilitate the transition to a low-carbon economy.

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

The content and organisation of the project task is formalised. The individual limiting factors are analysed and possible ways to address them are defined.

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

We have obtained competing coatings and carried out a market analysis of the shares, prices and applications of antimicrobial coatings (S/F).

#### **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. Laboratory scale synthesis trials are underway.

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

These kinds of applications are not carried out during the fluorinated thermoplastics processing. However, there is demand on the market. The aim is to introduce the right type of dispersion into production, thereby increasing supply and sales volumes. We carry out activities to obtain the appropriate coating from different suppliers.

#### **Development of powder coatings**

Development of a powder varnish with increased outgassing capability. The need is expressed on previously hot-dip galvanised elements. We have procured the necessary raw materials and obtained some formulation guidelines.

#### **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 is ready for certification. We plan to obtain a certificate for a group of several biopolymer masterbatches together.

We currently only produce masterbatches for indoor use. However, this year we will also develop a masterbatch for external use. We still have not managed to produce a competitive TiO<sub>2</sub> that would remain stable during UV radiation exposure. However, the actual pilot production of such a pigment has not yet started.

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

A larger quantity of barium sulphate was prepared in the laboratory for test samples in customer applications. Activities are underway to return overflow water from the Bukovžlak reservoir for reuse in production.

Pilot experiments on reverse osmosis with recycling of wastewater from the condensation of flue gases from the digestion of ores are progressing well.

### **6.3 Quality assurance**

An annual internal audit plan has been prepared and is being implemented. We will audit BUs and departments that have not been audited recently and review the implementation of measures and the effectiveness of previous audits.

External auditors will examine the compliance of our integrated management system with the 2022 ISO standards at the end of May.

We regularly monitor the number of customer complaints and comments and respond to them with corrective action. Complaints are rare.

We continue with our activities within a project aimed at introducing new grades of titanium dioxide. We are carrying out optimisations in individual production processes in a planned sequence, which should raise the quality 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. This task was not carried out in 2021. It is being implemented in 2022 since a new project holder was appointed. We are searching for a new external partner as well.

Continuous improvement, dictated by quality standards and guidelines, is the driving force behind progress and continuous improvement in all areas of the Company's operations. A system for collecting useful suggestions, the so-called "CC UM", was introduced and led to an improvement of 0.06 per employee in the first three months.

## **6.4 Environmental management**

In the area of the environment, we have three sets of indicative targets for 2022. They are aimed at addressing environmental risks, sustainable development and ensuring regulatory compliance.

### **I. Actions to address environmental risks**

We continue with the implementation of measures to tackle old burdens on the Company's premises. The rehabilitation of the Bukovžlak solid waste landfill continues, and a new drainage C under the Bukovžlak high embankment barrier is being installed. Detailed monitoring of the condition of the Bukovžlak waste disposal plant is being carried out due to the influx of leachate from the gypsum filtration plant. A ramp for the washing of trucks is being built and the anti-dust measures at the disposal plant "Za Travnik" are being upgraded. The adhesives storage area at BU Polymer has been cleaned up and an environmental risk assessment has been carried out.

### **II. Sustainable development and the circular economy**

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

#### **a. Use of renewable sources**

Installation of additional solar power plants (two solar power plants with a total nameplate capacity of 1.5 MW were pledged last year) for a total generation of 3.5 MW of electricity – a supplier of the solar power plants was selected. We shall obtain an additional 2 MW.

Selection and implementation of a technique to use waste heat on S acid – an external contractor has carried out measurements and prepared a conceptual design of possible measures.

A conceptual design for the use of waste heat from flue gases after calcination is concerned - a conceptual breakdown for the use of heat in acid reconcentration has been prepared. The challenge is the abrasive dust that is present.

#### **b. Carbon footprint**

In order to better manage and plan measures to reduce emissions and costs, we are preparing the basis for calculating the carbon footprint of copper oxychloride production (BU Chemistry Celje) for 5 white and 5 coloured powder coatings and for 5 white and 5 coloured masterbatches (BU Chemistry Mozirje).

The options for the use of CO<sub>2</sub> from the "Neutralisation unit" in the production of titanium dioxide inside and outside the Company are being examined.

#### **c. Energy efficiency**

We have selected a contractor and commissioned a calculation of energy and mass balance of titanium dioxide production and we have identified potentials for reducing specific energy consumption.

Activities are underway to increase the throughput of the steam pipeline and thus the possibility to increase the use of steam.

Technical details for the procurement and replacement of dry-type transformers in the TP 7-10 Neutralisation are being coordinated.

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

Ageing lighting is being replaced with more energy-efficient lighting in the BU Polymers and the BU KC.

**d. Waste quantity**

In the last month, we have managed to establish the conditions for a higher share of the production of white gypsum.

We are working to reduce organic waste from food preparation or food waste.

**e. Reuse of materials**

A conceptual design for an alternative process water supply from the Tremerje water treatment plant is being finalised.

In the framework of the project to recover copper deposits from alternative sources, ash samples were obtained from the producer and laboratory dissolution tests were carried out.

In the process of recovery for re-use, the elements of the Schnackenberg system were removed during overhaul. This took place in the unit for the digestion of ores and the Ventura washing device during the flue gas cleaning process after calcination.

With the help of an external partner, we are developing a process for recovering 23% sulphuric (IV) acid waste. The aim is to extract commercially interesting oxides. The results so far are very encouraging.

A system is being set up to service consumers' worn-out ball valves.

**f. Reducing emissions to the working and outdoor environment**

The upgrade has increased the efficiency of the sulphur smelting treatment plant. The input material varies considerably and further extensions to the treatment plant are likely to be needed.

Static placement of dust filters is underway as part of a project to reduce dust sources in titanium dioxide production. A building permit will have to be obtained, and consequently the implementation will be postponed.

**g. Support of social activities in the local community**

We pursue our goal through targeted sponsorship and donations, especially in the local area.

**III. Preservation and insurance of coherency with the legislation**

An initiative to amend the zoning plan is being prepared for the "Za Travnik" area.

As members of the TDIC consortium we have implemented activities prescribed by the process of the TiO<sub>2</sub> file evaluation pursuant to the REACH legislation and in line with the REACH registration required for the non-EU countries (Korea, Turkey, Great Britain).

Activities are underway to establish Ex-fluid control in powder coating mills.

The project documentation for the construction (PZI) of oil traps in storm drains was drafted.

Activities to amend the environmental permit pursuant to the Industry Emissions Directive have been intensive - implementation of the requirements of the BAT CWW conclusions (additional effluent sampling, preparation of a monitoring programme and other required updates were made).

We had no environmental inspections in Q1 2022, except for the verification of the method, volume and quality of production of white gypsum for agricultural purposes. There were no deficiencies noticed.

The public did not submit any complaints in the first quarter of this year.

In line with legislative requirements, we have prepared and submitted all monitoring reports for 2021 by the deadline. Limit values were not exceeded. We have been involved in drafting new legislative changes and BREF documents. (Industry Emissions Directive, Decree on Waste, BAT reference documents (BREFs) - LIVIC S: titanium dioxide production) and we have monitored all other changes.

All the requirements for the re-certification of the POR, which was awarded in January 2022, have been fulfilled. We took part in the questionnaire "Ecovadis sustainability rating". A universal indicator system was used to measure performance against indicators in the areas of environmental protection, human rights, employee health, ethics and sustainable purchasing.

## **6.5 Health and safety**

In the first three months of 2022, there were no serious accidents at work. However, we dealt with 6 minor accidents, the same as 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 11 potential risks, which we are addressing on an ongoing basis. Two near misses have been reported. The activities called "One Minute for Safety" take place in various formats and time intervals in production work centres. In all production BUs, we identify and analyse process risks in the area of occupational health and safety and take measures to reduce emissions into the working environment. Improvements in occupational health and safety and fire safety are also being made in individual BUs, based on helpful suggestions from employees. (the CC UM system).

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

- A day without a cigarette – 31 January
- If I decide for SVIT, I can save my life (The SVIT Programme is the national screening and early detection programme for colorectal cancer).

In the field of fire protection, a tactical fire-fighting exercise was carried out in a building in cooperation with the Professional Firefighting Unit from Celje.

No new health and safety risks were identified during the period. Otherwise, risks are identified and managed through the Risk and Opportunity Register.

## 7 FINANCIAL STATEMENTS AND THE BALANCE SHEET

### 7.1 Statement of Profit or Loss

**Statement of Profit or Loss for the period from 1 January to 31 March.**

	JAN-MAR 2022	JAN-MAR 2021
<b>Revenue from contracts with customers</b>	<b>66,347,590</b>	<b>50,327,526</b>
Change in the value of inventories of products and work in progress	-1,104,085	-4,132,254
Capitalised own products and services	512,730	894,435
Costs of goods and materials sold, and cost of materials used	36,677	61,736
Cost of materials	30,972,248	24,046,465
Cost of services	4,077,864	3,310,966
Cost of services	7,946,884	7,320,066
a) Costs of salaries and wages	4,958,206	5,008,351
b) Cost of social security	368,236	374,140
c) Cost of pension insurance	549,492	551,715
č) Other labour costs	2,070,950	1,385,860
Depreciation and amortisation	3,298,217	3,271,324
Other operating income	34,842	534,045
Other operating expenses	339,631	370,749
Impairment and write-off of operating receivables	52	
<b>Operating profit or loss</b>	<b>19,119,505</b>	<b>9,242,445</b>
Finance income	308,525	141,783
Finance expenses	201,492	205,084
<b>Financial result</b>	<b>107,033</b>	<b>-63,300</b>
<b>Profit or loss before tax</b>	<b>19,226,538</b>	<b>9,179,145</b>
Tax charged	3,653,042	1,744,038
Deferred taxes	0	0
<b>Corporate income tax</b>	<b>3,653,042</b>	<b>1,744,038</b>
<b>Net profit or loss for the period</b>	<b>15,573,496</b>	<b>7,435,108</b>
Basic and diluted earnings per share	19.27	9.20

## 7.2 Statement of financial position

### Statement of financial position

	31 March 2022	31 December 2021
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	1,142,770	980,672
Property, plant and equipment	104,252,453	105,896,129
Land	9,658,764	9,676,850
Buildings	41,492,467	42,300,197
Production plant and machinery	42,063,034	44,344,912
Other plant and equipment	48,040	49,211
Property, plant and equipment under construction and in production	10,568,030	9,172,421
Advances for acquisition of property, plant and equipment	422,118	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	27,652	53,028
Deferred tax assets	1,930,685	1,930,685
<b>Total non-current assets</b>	<b>109,004,659</b>	<b>110,511,613</b>
<b>Current assets</b>		
Funds earmarked for sales	0	0
Inventories	39,678,346	40,298,476
Material	27,165,469	26,842,350
Work-in-progress	2,784,832	2,471,875
Products and merchandise	9,511,400	10,921,232
Advances for inventories	216,644	63,018
Assets under contracts with customers	0	0
Financial receivables	6,950	0
Trade receivables	47,088,291	31,172,903
Receivables from customers	44,472,678	29,148,099
Other receivables	2,615,613	2,024,804
Income tax receivable	0	0
Cash and cash equivalents	63,168,084	59,746,594
Other current assets	153,140	155,223
<b>Total current assets</b>	<b>150,094,811</b>	<b>131,373,196</b>
<b>Total assets</b>	<b>259,099,469</b>	<b>241,884,809</b>

**Statement of financial position**

	<b>31 March 2022</b>	<b>31 December 2021</b>
<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
Revenue reserves	101,824,169	101,824,169
Statutory reserves	16,931,435	16,931,435
Reserves for treasury shares	4,814,764	4,814,764
Treasury shares	-4,814,764	-4,814,764
Other revenue reserves	84,892,734	84,892,734
Fair-value reserves	-1,179,701	-1,179,702
Retained profit	40,580,073	25,006,577
<b>Total equity</b>	<b>205,739,286</b>	<b>190,165,790</b>
<b>Non-current liabilities</b>		
Provisions for employee benefits	4,167,929	4,256,064
Other provisions	18,582,492	18,828,856
Long-term deferred income	194,197	188,082
Financial liabilities	0	0
Trade liabilities	0	0
Obligations under contracts with customers	0	0
Deferred tax liabilities	0	0
<b>Total non-current liabilities</b>	<b>22,944,618</b>	<b>23,273,002</b>
<b>Short-term liabilities</b>		
Liabilities included in disposal groups	0	0
Financial liabilities	67,363	197,503
Trade liabilities	22,208,262	23,242,724
Liabilities to suppliers	19,485,940	18,690,237
Other liabilities	2,722,322	4,552,487
Income tax liabilities	6,647,873	3,852,235
Obligations under contracts with customers	183,021	136,087
Other short-term liabilities	1,309,046	1,017,468
<b>Total short-term liabilities</b>	<b>30,415,565</b>	<b>28,446,017</b>
<b>Total liabilities</b>	<b>53,360,183</b>	<b>51,719,019</b>
<b>Total capital and liabilities</b>	<b>259,099,469</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 reserve	Profit reserves				Fair value reserves	Deferred profit		Total equity
			Statutory reserve	Reserves for treasury shares	Treasury shares	Other profit reserves		Profit or loss brought forward	Net profit or loss of the financial year	
<b>Initial balance of the reported period</b>	<b>20,229,770</b>	<b>44,284,976</b>	<b>16,931,435</b>	<b>4,814,794</b>	<b>-4,814,794</b>	<b>84,892,734</b>	<b>-1,179,702</b>	<b>86,234</b>	<b>24,920,343</b>	<b>190,165,790</b>
<b>Change in equity - transactions with owners</b>										
Purchase of treasury shares										
Withdrawal of treasury shares										
Dividend payment										
<b>Total comprehensive income for the reported period</b>									<b>15,573,496</b>	<b>15,573,496</b>
Entry of net profit or loss for the reported period									<b>15,573,496</b>	<b>15,573,496</b>
Other components of the total comprehensive income for the reported period										
<b>B3, Changes in equity</b>								<b>24,920,343</b>	<b>-24,920,343</b>	
Allocation of the remaining part of net profit of prim. report. period to other comp. of equity								<b>24,920,343</b>	<b>-24,920,343</b>	
Allocation of the remaining part of net profit of prim. report. period to other comp. of equity in line with the resolution of the manag. and superv. bodies										
Creation of reserves for treasury shares										
Release of reserves for treasury shares										
<b>Final balance for the reported period</b>	<b>20,229,770</b>	<b>44,284,976</b>	<b>16,931,435</b>	<b>4,814,794</b>	<b>-4,814,794</b>	<b>84,892,734</b>	<b>-1,179,702</b>	<b>25,006,577</b>	<b>15,573,495</b>	<b>205,739,286</b>
<b>BALANCE-SHEET PROFIT</b>								<b>25,006,577</b>	<b>15,573,495</b>	<b>40,580,072</b>

### Statement of changes in equity in 2021

CINKARNA Metalurško – kemična industrija Celje, d.d.	Called-up capital	Capital reserve	Profit reserves				Fair value reserves	Deferred profit		Total equity
			Statutory reserve	Reserves for treasury shares	Treasury shares	Other profit reserves		Profit or loss brought	Net profit or loss of the financial year	
<b>Initial balance of the reported period</b>	<b>20,229,770</b>	<b>44,284,976</b>	<b>16,931,435</b>	<b>3,900,280</b>	<b>-3,900,280</b>	<b>77,500,437</b>	<b>-647,812</b>	<b>5,151,743</b>	<b>11,370,393</b>	<b>174,820,942</b>
<b>Change in equity - transactions with owners</b>				<b>541,021</b>	<b>-541,021</b>					
Purchase of treasury shares				<b>541,021</b>	<b>-541,021</b>					
Withdrawal of treasury shares										
Dividend payment										
<b>Total comprehensive income for the reported period</b>									<b>7,435,108</b>	<b>7,435,108</b>
Entry of net profit or loss for the reported period									<b>7,435,108</b>	<b>7,435,108</b>
Other components of the total comprehensive income for the reported period										
<b>B3, Changes in equity</b>					<b>-541,021</b>			<b>11,370,393</b>	<b>-11,370,393</b>	<b>-541,021</b>
Allocation of the remaining part of net profit of prim. report. period to other comp. of equity										
Allocation of the remaining part of net profit of prim. report. period to other comp. of equity in line with the resolution of the manag. and superv. bodies								<b>11,370,393</b>	<b>-11,370,393</b>	
Creation of reserves for treasury shares						<b>-541,021</b>				<b>-541,021</b>
Release of reserves for treasury shares										
<b>Final balance for the reported period</b>	<b>20,229,770</b>	<b>44,284,976</b>	<b>16,931,435</b>	<b>4,441,301</b>	<b>-4,441,301</b>	<b>76,959,416</b>	<b>-647,812</b>	<b>16,522,136</b>	<b>7,435,108</b>	<b>181,715,028</b>
<b>BALANCE-SHEET PROFIT</b>								<b>16,522,136</b>	<b>7,435,108</b>	<b>23,957,244</b>

## 7.4 Cash flow statement for the period

### Cash flow statement for the period from 1 January to 31 March

	JAN-MAR 2022	JAN MAR 2021
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit or loss before taxes	19,226,538	9,179,145
Adjustments for:	3,372,864	3,261,538
Depreciation +	3,298,217	3,271,324
Profit / loss on sale of fixed assets	-32,684	-19,005
Impairment / write-off (reversal of impairment) of assets	245	72,219
Net reduction / creation of value adjustment of receivables	52	300
Net financial income / expenses	107,033	-63,300
<b>Cash flow from operating activities before change in net current assets (working capital)</b>	<b>-17,293,898</b>	<b>-5,550,220</b>
Change in the balance of operating receivables	-15,324,579	-9,254,131
Change in the balance of assets under contracts with customers	0	-77,056
Change in inventory	620,130	1,396,948
Change in the balance of operating liabilities	-1,034,462	4,152,060
Change in the balance of provisions	-334,499	-369,954
Change in deferred income	6,115	-5,366
Change in the balance of other current liabilities	291,578	58,042
Change in the balance of liabilities from contracts with customers	46,934	192,872
Income tax paid	-857,404	-1,643,635
<b>Net cash flow from operating activities</b>	<b>5,305,504</b>	<b>6,890,463</b>
<b>INVESTMENT CASH FLOW</b>		
Receipts from investing activities	32,817	19,305
Receipts from interests	133	300
Cash receipts from disposal of property, plant and equipment	32,684	19,005
<b>Investment expenses</b>	<b>-1,786,692</b>	<b>-2,257,984</b>
Cash payments on intangible assets	-197,530	-30,930
Cash payments to acquire property, plant and equipment	-1,582,212	-2,184,552
Cash payments for financial investments	-6,950	-42,502
<b>Net cash flow from investing activities</b>	<b>-1,753,875</b>	<b>-2,238,679</b>
<b>Cash flow from financing activities</b>		
Cash receipts from financing activities	0	0
<b>Cash disbursements from financing activities</b>	<b>-130,140</b>	<b>-542,021</b>
Cash disbursements from financial liabilities	-130,140	0
Cash disbursements from the purchase of treasury shares	0	-542,021
<b>Net cash flow from financing activities</b>	<b>-130,140</b>	<b>-542,021</b>
<b>Ending balance of cash and cash equivalents</b>	<b>63,168,084</b>	<b>41,767,587</b>
Net increase/decrease in cash and cash equivalents	3,421,489	4,109,763
<b>Opening balance of cash and cash equivalents as at 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 31 March**

	<b>JAN-MAR 2022</b>	<b>JAN-MAR 2021</b>
Net profit	15,573,496	7,435,108
Other comprehensive income for the year	0	0
Other comprehensive income in the year that will not be recognised in the income statement in the future	0	0
Other comprehensive income in the year to be recognised in the income statement in the future	0	0
Net other comprehensive income in the year that will not be recognised in the income statement in the future	0	0
Total other comprehensive income for the year (after tax)	0	0
<b>Total comprehensive income for the year (after tax)</b>	<b>15,573,496</b>	<b>7,435,108</b>

## 8 NOTES TO THE FINANCIAL STATEMENTS

### 1 Reporting by segment

#### Sales by business segment

	in €	JAN-MAR 2022	JAN-MAR 2021
Titanium dioxide		53,624,231	40,337,553
Zinc recycling		2,072,217	1,459,524
Varnishes, coatings, masterbatches and printing inks		5,312,265	4,635,680
Agricultural products		4,185,129	2,980,558
Other		1,153,748	914,211
<b>TOTAL</b>		<b>66,347,590</b>	<b>50,327,526</b>

#### Sales by regional segment

	in €	JAN-MAR 2022	JAN-MAR 2021
Slovenia		5,770,906	4,819,408
European Union		51,603,062	37,530,636
Countries of the former Yugoslavia		1,527,424	1,057,041
Third countries		6,729,518	5,688,700
Third countries – Dollar market		716,680	1,231,741
<b>TOTAL</b>		<b>66,347,590</b>	<b>50,327,526</b>

#### Profit or loss by business segment

	Titanium dioxide – pigments		Zinc recycling		Varnishes, coatings, masterbatches and printing inks		Agricultural products		Other		Total	
	31/3/2021	31/3/2022	31/3/2021	31/3/2022	31/3/2021	31/3/2022	31/3/2021	31/3/2022	31/3/2021	31/3/2022	31/3/2021	31/3/2022
Revenue from contracts with customers	40,337,553	53,624,231	1,459,524	2,072,217	4,635,680	5,312,265	2,980,558	4,185,129	914,211	1,153,748	50,327,526	66,347,590
Other operating inc.	469,380	8,275	0	0	3,356	0	2,631	0	953,113	539,297	1,428,480	547,572
Change in the value of inventories	-3,202,833	-333,651	87,851	105,606	-346,028	178,703	-686,339	-1,139,218	14,818	84,474	-4,132,532	-1,104,085
Operating expenses	-29,327,111	-35,753,181	-1,532,879	-2,141,679	-3,651,679	-4,396,499	-1,939,177	-2,543,271	-1,930,183	-1,836,943	-38,381,029	-46,671,572
-depreciation	-1,940,656	-1,916,443	-21,227	-19,913	-117,330	-104,806	-66,256	-68,770	-1,125,855	-1,188,285	-3,271,324	-3,298,217
<b>Operating profit or loss</b>	<b>8,276,989</b>	<b>17,545,675</b>	<b>14,495</b>	<b>36,144</b>	<b>641,329</b>	<b>1,094,470</b>	<b>357,674</b>	<b>502,640</b>	<b>-48,040</b>	<b>-59,423</b>	<b>9,242,446</b>	<b>19,119,505</b>
Interest income	0	0	0	0	0	0	0	0	0	0	474	449
Other financial income	0	0	0	0	0	0	0	0	0	0	141,309	308,075
Interest expenses	0	0	0	0	0	0	0	0	0	0	10	2,464
Other financial expenses	0	0	0	0	0	0	0	0	0	0	205,073	199,028
<b>Financial result</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-63,300</b>	<b>107,033</b>
Deferred taxes	0	0	0	0	0	0	0	0	0	0	0	0
Income tax	0	0	0	0	0	0	0	0	0	0	1,744,038	3,653,042
<b>Net profit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,435,108</b>	<b>15,573,496</b>

### 2 Revenue from contracts with customers

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

	in €	JAN-MAR 2022	JAN-MAR 2021
Net revenue from contracts with buyers of products and services		66,137,278	50,217,546
Net revenue from contracts with buyers of goods and materials		210,312	109,980
<b>TOTAL</b>		<b>66,347,590</b>	<b>50,327,526</b>

### 3 Other operating income

in €

## CINKARNA Celje, d. d.

Revenue	JAN-MAR 2022	JAN-MAR 2021
Sale of emission allowances	0	462,157
Gains on sales and write-downs of assets	60	2,695
Revenue from COVID-19 state support	15,551	32,640
Recovered written-off receivables	0	2,848
Revenue from previous years	12,591	16,310
Compensation received	6,604	2,395
Other revenue	36	15,000
<b>TOTAL</b>	<b>34,842</b>	<b>534,045</b>

### 4 Costs by natural type

	in €	
	JAN-MAR 2022	JAN-MAR 2021
Costs of materials and goods sold	36,677	61,736
Cost of materials	30,972,248	24,046,465
Cost of services	4,077,864	3,310,966
Labour costs	7,946,884	7,320,066
Depreciation	3,298,217	3,271,324
Other operating expenses	339,631	370,749
Impairments and write-offs of trade receivables	52	0
<b>TOTAL</b>	<b>46,671,573</b>	<b>38,381,307</b>

### 5 Labour costs

	in €	
	JAN-MAR 2022	JAN-MAR 2021
Labour costs	4,958,206	5,008,351
Salaries and benefits	809,990	822,594
Social security contributions	2,070,950	1,385,860
Cost reimbursements and other employee benefits	107,738	103,261
Supplementary pension insurance	107,738	103,261
<b>TOTAL</b>	<b>7,946,884</b>	<b>7,320,066</b>

As at 31 March 2022, the Company employed 782 persons. The average number of employees was 783.

### 6 Depreciation

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.

Description	in €	
	JAN-MAR 2022	JAN-MAR 2021
Depreciation		
- intangible assets	35,432	49,292
- easements	18,086	18,086
- buildings	831,289	852,109
- production equipment	2,412,155	2,350,442
- other equipment	1,256	1,395
<b>TOTAL</b>	<b>3,298,217</b>	<b>3,271,324</b>

### 7 Operating expenses

#### Operating expenses

Expenditure	in €	
	JAN-MAR 2022	JAN-MAR 2021
Cost of materials	30,972,248	24,046,465
Cost of services	4,077,864	3,310,996
Cost of materials and goods sold	36,677	61,736
Other operating expenses	339,683	370,749
<b>TOTAL</b>	<b>35,426,472</b>	<b>112,253,844</b>

#### Other operating expenses

Other operating expenses	in €	
	JAN-MAR 2022	JAN-MAR 2021
Other operating expenses		

## CINKARNA Celje, d. d.

Ecological fees and refunds	126,259	100,180
Awards for students and trainees	28,986	50,301
Contribution for the use of building land	91,934	91,978
Revaluation of stocks of materials and goods	245	468
Loss on sale (disposal) of fixed assets	32,684	71,751
Other costs and expenses	59,523	56,070
<b>TOTAL</b>	<b>339,631</b>	<b>370,749</b>

## 8 Financial income and expenditure

	in €	JAN-MAR 2022	JAN-MAR 2021
<b>Income</b>			
Net exchange rate differences		109,048	0
Interest and investment income		449	474
<b>Total financial income</b>		109,497	474
Net exchange rate differences		0	-63,764
Interest expenses		-2,464	-10
<b>Total financial expenses</b>		-2,464	-63,774
<b>Net financial result</b>		107,033	-63,300

## 9 Income tax

The income tax chargeable at an effective tax rate of 19% is EUR 3,653,042.

## 10 Intangible assets

Group intangible assets for 2022	Acquisition value		Value adjustment		Undepreciated value	
	31/3/2022	31/12/2021	31/3/2022	31/12/2021	31/3/2022	31/12/2021
Property rights	5,643,379	5,633,593	4,779,190	4,744,346	864,190	889,248
Assets under acquisition	278,580	91,424	0	0	278,580	91,424
<b>TOTAL</b>	<b>5,725,018</b>	<b>5,555,304</b>	<b>4,779,190</b>	<b>4,744,346</b>	<b>1,142,770</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 Property, plant and equipment

Group property, plant and equipment for 2022	Acquisition value		Value adjustment		Undepreciated value	
	31/3/2022	31/12/2021	31/3/2022	31/12/2021	31/3/2022	31/12/2021
Land	10,803,263	10,803,263	1,144,499	1,126,413	9,658,764	9,676,850
Buildings	126,473,563	126,487,363	84,981,096	84,187,165	41,492,467	42,300,197
Equipment	222,522,704	227,909,652	180,411,631	183,515,529	42,111,073	44,394,123
Assets under acquisition	10,568,030	9,172,421	0	0	10,568,030	9,172,421
Advance payments	422,118	352,537	0	0	422,118	352,537
<b>TOTAL</b>	<b>370,789,678</b>	<b>368,550,632</b>	<b>268,829,107</b>	<b>262,151,627</b>	<b>104,252,453</b>	<b>105,896,129</b>

The Company has reviewed their values and determined that their present value does not exceed their recoverable amount. The Company does not have any assets under finance leases and, as at 31 March 2022, the Company does not have any assets pledged as collateral for any guarantees.

## 12 Financial assets

Group non-current financial investments for 2022	Acquisition value		Re-evaluation		Fair value	
	31/3/2022	31/12/2021	31/3/2022	31/12/2021	31/3/2022	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.

## CINKARNA Celje, d. d.

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

in €

Group of other non-current assets for 2022	Acquisition value		Value adjustment		Undepreciated value	
	31/3/2022	31/12/2021	31/3/2022	31/12/2021	31/3/2022	31/12/2021
Emission allowances	27,652	53,028	0	0	27,652	53,028
<b>TOTAL</b>	<b>53,028</b>	<b>53,028</b>	<b>0</b>	<b>0</b>	<b>27,652</b>	<b>53,028</b>

The company has submitted 25,376 CO2 emission allowances to ARSO in 2022.

### 14 Short-term financial investments

in €

Group short-term investments for 2022	Investment value		Investment value adjustment		Net investments	
	31/3/2022	31/12/2021	31/3/2022	31/12/2021	31/3/2022	31/12/2021
Fair value of derivatives	6,950	0	0	0	6,950	0
<b>TOTAL</b>	<b>6,950</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,950</b>	<b>0</b>

### 15 Inventories

in €

Group inventories	31/3/2022	31/12/2021	Realisable Value
Material	27,165,469	26,842,350	27,165,469
Work in progress	2,784,832	2,471,875	2,784,832
Products	9,451,198	10,868,240	16,233,206
Merchandise	60,203	52,992	60,203
Advances	216,644	63,018	216,644
<b>TOTAL</b>	<b>39,678,346</b>	<b>40,298,476</b>	<b>46,460,354</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 inventories as at 31 March 2022 exceeds their book value.

### 16 Trade receivables

#### Short-term trade receivables

in €

Group of claims for 2022	Value of receivables		Value adjustment		Net receivables	
	31/3/2022	31/12/2021	31/3/2022	31/12/2021	31/3/2022	31/12/2021
Domestic buyers	5,348,378	4,063,142	267,017	267,017	5,081,361	3,796,125
Foreign buyers	39,211,703	24,868,008	381,437	381,437	38,830,266	24,486,571
Indirect exporters	561,051	865,403	0	0	561,051	865,403
<b>TOTAL</b>	<b>45,121,132</b>	<b>29,796,553</b>	<b>648,454</b>	<b>648,454</b>	<b>44,472,678</b>	<b>29,148,099</b>

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

#### Movement in valuation allowances on short-term trade receivables

in €

2022	31/12/2021	Adjustment 2022	Formulated correction of value for 2022	Write-offs of correction of the value of previous years	Paid written-off receivables	31/3/2022
Domestic buyers	267,017	0	0	0	0	267,017
Foreign buyers	381,437	0	0	0		381,437
<b>TOTAL</b>	<b>648,454</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>648,454</b>

**CINKARNA Celje, d. d.**

**Trade receivables by maturity by segment**

Regional section	Total receivables		Outstanding receivables		Overdue receivables					
					0 to 15 days		from 16 to 60 days		from 61 to 180 days	
	31/3/2022	31/12/2021	31/3/2022	31/12/2021	31/3/2022	31/12/2021	31/3/2022	31/12/2021	31/3/2022	31/12/2021
Domestic buyers	5,081,361	3,796,125	4,923,057	3,627,348	148,473	151,427	9,831	17,349	0	0
Foreign buyers - EU and third countries	38,065,605	23,823,511	37,122,192	21,508,066	822,501	1,078,916	120,671	1,236,289	240	240
Buyers from markets of the former Yugoslavia	764,662	663,061	695,305	647,647	69,356	10,114	0	5,300	0	0
Indirect exporters	561,051	865,403	512,475	865,403	48,576	0	0	0	0	0
<b>TOTAL trade receivables</b>	<b>44,472,678</b>	<b>29,148,099</b>	<b>43,253,029</b>	<b>26,648,463</b>	<b>1,088,906</b>	<b>1,240,457</b>	<b>130,502</b>	<b>1,258,938</b>	<b>240</b>	<b>240</b>

**Group of trade receivables by maturity**

Group of receivables by maturity	Gross value as at 31/3/2022	Adjustment as at 31/3/2022	Gross value as at 31/12/2021	Adjustment as at 31/12/2021
Outstanding	43,274,375	21,346	26,683,460	21,346
Overdue up to 15 days	1,089,900	994	1,240,457	994
Overdue from 16 to 60 days	137,138	6,635	1,252,916	6,635
Overdue from 61 to 180 days	240	0	240	0
Overdue more than 180 days	619,479	619,479	619,479	619,479
<b>TOTAL</b>	<b>45,121,132</b>	<b>648,454</b>	<b>29,796,552</b>	<b>648,454</b>

**Short-term other receivables**

Group of receivables	31/3/2022	31/12/2021
VAT receivables	2,191,122	1,789,384
Receivables from institutions	3,967,209	186,642
Receivables from employees	24,802	26,027
Other receivables	2,480	22,751
<b>TOTAL</b>	<b>2,615,613</b>	<b>2,024,804</b>

The Company has no claims on members of the Management Board and Supervisory Board.

**17 Cash and cash equivalents**

Group of assets	31/3/2022	31/12/2021
Cash in hand	30	30
Cash in accounts	57,125,067	53,622,153
Short-term deposit with agreed maturity date	6,042,987	6,124,412
<b>TOTAL</b>	<b>63,168,084</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 current other current liabilities, the Company recognises short-term deferred costs or expenses and VAT on advances received.

Description	31/3/2022	31/12/2021
Prepaid expenses	152,436	153,862
VAT on advances received	704	1,362
<b>TOTAL</b>	<b>153,140</b>	<b>155,223</b>

## **19 Owners' equity**

	in €	31/3/2022	31/12/2021
Equity items			
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 treasury shares		4,814,764	4,814,764
Treasury 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 profits		40,580,073	25,006,577
<b>TOTAL EQUITY</b>		<b>205,739,286</b>	<b>190,165,790</b>

The Company's share capital consists of 807,977 freely transferable bulky shares of the same class. All of the ordinary shares have the same nominal value and are fully paid up. At the balance sheet date of 31 March 2022, the value of the share capital amounts to € 20,229,770. The Company holds 26,465 treasury shares as at 31 March 2022. The Company has not acquired any treasury shares in 2022.

## **20 Non-current liabilities**

	in €	31/3/2022	31/12/2021
Group non-current liabilities			
Provisions for employee benefits		4,167,929	4,256,064
Provisions for the environment		18,554,840	18,801,189
Government grants received - emission allowances		27,652	27,667
Deferred income		194,197	188,082
<b>TOTAL</b>		<b>22,944,618</b>	<b>23,273,002</b>

### Employee benefits received after the end of employment

	in €	31/3/2022	31/12/2021
Employee benefits received after the end of employment			
Provisions for severance payments		3,620,365	3,693,949
Provisions for jubilee awards		547,564	562,115
<b>TOTAL</b>		<b>4,167,929</b>	<b>4,256,064</b>

### Provisions

	in €	31/12/2021	Annual plan for 2022	Utilisation in 2022	31/3/2022
Provisions for the environment					
Provisions for the landfill "Za Travnik"		373,300	23,000	0	373,300
Provisions for the landfill "Bukovžlak (ONOB)"		6,187,523	2,110,000	246,349	5,941,174
Provisions for the high barrier "Bukovžlak"		3,151,168	260,000	0	3,151,168
Provisions for tackling the risks caused by the old burdens - CDM SMITH		5,988,176	10,000	0	5,988,176
Provisions for ecology – Ecological investment in TiO2 production		3,101,022	0	0	3,101,022
<b>TOTAL</b>		<b>18,801,189</b>	<b>2,403,000</b>	<b>246,349</b>	<b>18,554,840</b>

The environmental provisions in 2022 were used for the costs incurred by contractors for the work carried out and amounted to EUR 246,349. There were no new provisions formed.

### Deferred income

	in €	31/3/2022	31/12/2021
Deferred income			
Deferred contributions for employment of people with disabilities		7,028	913
Long-term deferred income for equipment		1,776	1,756
Money received from EU funds		161,172	161,172
Equipment and vehicles acquired free of charge		24,221	24,221
<b>TOTAL</b>		<b>194,197</b>	<b>188,062</b>

## **21 Short-term financial liabilities**

	in €	31/3/2022	31/12/2021
Group of liabilities			
Short-term financial liabilities - assignments, cessions		67,363	191,886
Short-term derivative liabilities - forward transactions		0	5,616
<b>TOTAL</b>		<b>67,363</b>	<b>197,503</b>

## 22 Short-term payables

Group of liabilities	31/3/2022	31/12/2021
Short-term payables to domestic suppliers	13,404,339	9,547,147
Short-term payables to suppliers abroad	4,953,994	9,137,478
Current liabilities for unbilled goods and services	1,127,607	5,611
Current liabilities based on advances	49,630	70,165
Short-term payables to employees	1,243,379	2,517,024
Current liabilities for contributions payable by the payer	674,978	1,299,826
Short-term payables to government and other institutions	744,245	656,587
Other short-term liabilities	10,090	8,886
<b>TOTAL</b>	<b>22,208,262</b>	<b>23,242,724</b>

## 23 Income tax liabilities

	in €	
Income tax	31/3/2022	31/12/2021
Current liability for income tax	6,647,873	3,852,235
<b>TOTAL</b>	<b>6,647,873</b>	<b>3,852,234</b>

## 24 Obligations under contracts with customers

Obligations under contracts with customers	31/3/2022	31/12/2021
Obligations under contracts with customers	183,021	136,087
<b>TOTAL</b>	<b>183,021</b>	<b>136,087</b>

Commitments under contracts with customers arose from contractual commitments to customers for agreed allowances for major placements.

## 25 Other short-term liabilities

Other short-term liabilities comprise accrued charges or expenses.

Description	31/3/2022	31/12/2021
Accrued unused annual leave entitlement	823,198	823,198
Accrued costs	462,599	180,596
VAT on advances paid	23,249	10,889
Other	0	2,785
<b>TOTAL</b>	<b>1,309,046</b>	<b>1,017,468</b>

## 26 Contingent assets and liabilities

Description	31/3/2022	31/12/2021
Guarantees given	2,345,729	2,345,729
Forward transactions	1,683,686	4,650,283
VISA and Mastercard payment cards	40,000	40,000
Materials in finishing and processing	59,725	59,725
<b>TOTAL</b>	<b>4,129,140</b>	<b>7,095,737</b>

## 25 Fair value

	31/3/2022		31/12/2021	
	Book value	Fair value	Book value	Fair value
Financial assets at fair value through other comprehensive income	1,651,099	1,651,099	1,651,099	1,651,099
Short-term financial receivables	0	0	0	0
Trade receivables	44,472,678	44,472,678	29,148,099	29,148,099
Cash and cash equivalents	63,168,084	63,168,084	59,746,594	59,746,594
Financial liabilities	-67,363	-67,363	-197,503	-197,503
Liabilities to suppliers	-19,485,940	-19,485,940	-18,690,237	-18,690,237
Obligations under contracts with customers	-183,021	-183,021	-136,087	-136,087
<b>Total</b>	<b>89,555,537</b>	<b>89,555,537</b>	<b>71,521,965</b>	<b>71,521,965</b>

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

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

Fair value of assets	31/3/2022				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>								
Short-term financial receivables	0	0	0	0	0	0	0	0
Trade receivables	0	0	44,472,678	44,472,678	0	0	29,148,099	29,148,099
Cash and cash equivalents	0	0	63,168,084	63,168,084	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>107,640,762</b>	<b>107,640,762</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>107,640,762</b>	<b>109,291,861</b>	<b>0</b>	<b>1,651,099</b>	<b>88,894,693</b>	<b>90,545,792</b>

Fair value of the liability	31/3/2022				31/12/2021			
	Group 1	Group 2	Group 3	Total	Group 1	Group 2	Group 3	Total
Financial liabilities	0	0	67,363	67,363	0	0	197,503	197,503
Liabilities to suppliers	0	0	19,485,940	19,485,940	0	0	18,690,237	18,690,237
Contractual obligations	0	0	183,021	183,021	0	0	136,087	136,087
<b>Total liabilities for which fair value is disclosed</b>	<b>0</b>	<b>0</b>	<b>19,736,324</b>	<b>19,736,324</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 balances as at 31 March 2022 and 31 December 2021. It is constructed using the indirect method from the statement of financial position as at 31 December 2022 and the statement of financial position as at 31 December 2021, together with the supplementary information necessary to adjust the income and expenditure and to break down the significant items appropriately. Theoretical contingent 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. Items that could exist in theory 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 treasury shares. Pursuant to Article 64(14) of the Companies Act, the statement of changes in equity is supplemented by a statement of the balance-sheet profit

### **V FINANCIAL INSTRUMENTS AND FINANCIAL RISKS**

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

##### **Liquidity risk**

Cinkarna Celje, d. d. is a business partner known for its payment discipline both domestically and abroad, 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 is the potential for losses due to adverse movements in market interest rates. The Company does not have any long-term financial commitments and does not have measures in place to address this. If this were to change, appropriate measures would be put in place to manage this type of risk.

##### **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 does not have measures in place to address this. If this were to change, we would put in place appropriate measures 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. As at 31 March 2022, deposits with a maturity of up to one year amount to EUR 6 million.

#### **Credit risk**

The key credit risk of Cinkarna Celje, d.d. is the risk that customers will default on their obligations when they fall due. The risk is limited as we deal mainly with long-standing partners, often well-known traditional European industrial companies with high credit ratings. 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 reported customers.

For many years Cinkarna Celje, d.d. has been carrying out an internal credit control for each individual customer, setting an individual credit limit based on the customer's payment discipline, credit rating and good standing 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.

In addition to the regular monitoring of the credit limit for each customer, the customer's payment discipline and the publications on AJPES regarding the publication of proceedings under the Financial Operations, Insolvency Proceedings, and Compulsory Dissolution Act (ZFPPIPP) are monitored on a daily basis. The customer is also reminded of the due date of the receivable by a reminder, first by telephone and then by letter, and interest is charged from the due date until the date of repayment, which is subject to late payment. 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 book value of financial assets most exposed to credit risk at the reporting date was as follows:

	Notes	31/3/2022	31/12/2021
Financial investments	12, 14	1,658,049	1,651,099
Trade receivables	16	44,472,678	29,148,099
Cash and cash equivalents	17	63,168,084	59,746,594
<b>TOTAL</b>		<b>109,298,811</b>	<b>90,545,792</b>

The Company has a healthy trade receivables structure, as shown in Note 16 Trade receivables in the table of trade receivables by maturity and in the table of movements in the valuation allowance for short-term trade receivables.

#### **Foreign exchange risk**

Cinkarna Celje, d.d. purchases and sells on the world market and is therefore exposed to the risk of unfavourable 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 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.

## **9 SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE FINANCIAL PERIOD**

The Company does not have any records of events that would have a material effect on the financial statements as at 31 March 2022.