Metalurško-kemična industrija Celje, d. d.
Kidričeva 26, SI-3001 Celje, Slovenija

UNAUDITED PERFORMANCE REPORT FOR CINKARNA CELJE IN THE JANUARY–MARCH 2023 PERIOD

Celje, May 2023

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SELECTION OF THE MOST IMPORTANT DATA

OPERATIONS in EUR thousands	I – III 2023	I – III 2022	2022	2021	2020
Sales revenues	50,034.33	66,347.59	227,153.12	192,462.10	172,386.90
Operating profit (EBIT)[1]	4,662.09	19,119.51	53,175.64	39,976.60	22,534.40
Operating profit with depreciation and amortisation (EBITDA)[2]	7,915.38	22,417.72	65,326.33	51,258.00	32,467.20
Net profit or loss	3,801.11	15,573.50	43,396.47	33,227.10	18,950.70
Non-current assets (end of period)	107,712.09	109,004.66	108,559.53	110,511.61	110,888.70
Current assets (end of period)	153,955.90	150,094.81	142,388.47	131,373.20	100,251.70
Equity (end of period)	212,811.26	205,739.29	209,010.15	190,165.80	174,820.90
Non-current liabilities (end of period)	18,639.60	22,944.62	18,831.72	23,273.00	20,876.40
Current liabilities (end of period)	30,217.14	30,415.57	23,106.14	28,446.00	15,442.00
Investments	2,069.59	1,779.74	10,546.50	11,325.40	12,233.00
RATIOS					
Share of EBIT in sales revenues	0.09	0.29	0.23	0.21	0.13
Share of EBITDA in sales revenues	0.16	0.34	0.29	0.27	0.19
Return on sales (ROS) in %	7.60	23.47	19.11	17.26	10.99
Return on equity (ROE)[3]	1.80	7.87	21.74	21.40	12.50
Return on assets (ROA)[4]	1.48	6.22	17.61	14.70	9.00
Added value per employee[5]	22,889	42,278	131,431	106,181	78,729
NUMBER OF EMPLOYEES					
End of year/period	757	782	775	793	824
Average end of year/period	762	783	776	801	838
SHARE DATA*					
Total number of shares	8,079,770	8,079,770	8,079,770	8,079,770	8,079,770
Total number of treasury shares	264,650	264,650	264,650	264,650	219,510
Number of shareholders	2,439	2,064	2,321	2,077	1,920
Net earnings per share in euros[6]	0.47	1.93	5.37	4.11	2.35
Dividend yield[7]	N/A	N/A	10 %	9 %	11 %
Gross dividend per share (in EUR)	N/A	N/A	3.19	2.10	1.70
Share price at end of period in EUR/share	28.80	27.80	23.00	25.90	17.80
Book value of a share in EUR[8]	26.34	25.46	25.87	23.54	21.64
Market capitalisation in EUR thousand (end of period)	232,697.38	224,617.61	185,834.71	209,266.04	143,819.91

* Share split calculated for previous periods

[1] Difference between operating revenues and expenses.
[2] Difference between operating revenues and expenses increased by amortisation/depreciation. Reflects operating performance.
[3] Net profit/average balance of equity in the period. The ratio reflects the company's efficiency in generating net operating profit in view of equity. Return on equity is a ratio of management's performance in increasing the value of the company for the owners.
[4] Net profit/average balance of assets in the period. The ratio reflects the company's efficiency in generating net operating profit in view of assets. Return on assets is a ratio of management's performance in the efficiency of the use of assets to generate profit.
[5] Operating profit or loss increased by write-downs and labour costs divided by the average number of employees by accrued hours. Productivity ratio reflecting the average newly created value per employee at Cinkarna.
[6] Net profit/total number of issued shares.
[7] Dividend/share value (as at the date of the General Meeting resolution).
[8] Equity at end of period/total number of issued shares.

BUSINESS REPORT

For 150 consecutive years, Cinkarna Celje, d. d. has operated as a modern and future-oriented chemical company and is fit for the future focused on the ambitious goals of a sustainable business. Being part of the chemical industry, which represents a vital building block of the European and Slovenian economy, we are aware of our opportunities, responsibilities and challenges in the context of the green, low-carbon and circular transformation of European industry and the dynamism of the pigment industry.

In Q1 2023, our sales realisation was 25% lower YoY. The decrease was influenced by lower average prices and lower volumes of titanium dioxide pigment. In the quarter in question, the slowdown in customer demand from all sales segments continued due to inflationary pressures on industry and the final consumer. The European pigment market thus remains weakened at least until the end of this year, partly due to the imports of cheaper Chinese imports and partly due to high levels of unused stocks. Demand for pigments is also weaker in North America as a slowing housing market hampers demand for paints and coatings.

Focusing on the core titanium dioxide pigment programme and streamlining the portfolio of strategic business lines are key building blocks of our business success. Titanium dioxide pigment is our most important product and an indispensable raw material in the modern world, which is why we are committed to further development and continuous improvement of its quality as well as to the study of the possibility of using it in sustainable applications. There are many opportunities for such application in view of the transition to a green economy.

We are a relatively small producer of pigment, which is why we face market conditions and changes as a typical follower, but we of course try to make the most of the market potential in terms of level and time dynamics. The Management Board estimates that the achieved business results are objectively good and exceed the forecasts for the period.

We insist on a long-term business strategy, which is based primarily on an active marketing approach focusing on finding and developing the most profitable customers and markets, increasing market shares in the highest quality markets and establishing long-term partnerships with key customers. We are planning a more restrictive policy in the management of the costs of materials, raw materials, energy and services. At the same time, we are aware that employees are the most important foundation of business success, so we will continue to work with representative unions and employee representatives to ensure that employee benefits will adequately reflect the Company's performance or the quality of its results.

Based on the evaluation of the current market conditions, we estimate that we will continue to see pressures to lower prices over the coming quarters. At the same time, the prices of some key raw materials persist at high levels or are decreasing only to a lesser extent, which will result in further pressure on the reduction of profit margins. Based on the above facts, we also formulated a plan for 2023 and factored in poorer operations and increased investment expenditures for energy and sustainable transformation.

The basic emphases of the Company's business policy remain unchanged. We focus on maximizing the production capacity, making use of market potentials by selling products with higher value added, optimising production costs and implementing investment plans. Financial operations are traditionally conservative and the Company is financially stable.

In the period under consideration, Cinkarna Celje, d. d. generated sales revenues in the amount of EUR 50 million, down 25% YoY. The total value of exports in the period under review reached EUR 44.7 million, down 26% YoY. Net profit amounted to EUR 3.8 million and was 76% lower YoY when it stood at EUR 15.6 million. The operating profit including write-downs or EBITDA reached EUR 7.9 million and amounts to 16% of the realised sales. Compared to the previous year, EBITDA is 65% lower.

The Management Board as well as employees are aware that our future path must be based on the principles of sustainable development and aimed at strengthening economic performance and ensuring corporate responsibility as well as connecting and achieving the goals of all stakeholders. With such a strategic posture, we strive to identify various risks, including climate risks, at an early stage while at the same time boldly opening up to opportunities. We are aware that employees are the most important foundation of long-term business success. We will continue to pay special attention to the optimisation of human resources and organisational structure management, which will contribute to ensuring an appropriate level of employee satisfaction and motivation and above all a maximum level of health and safety at work of our employees. We are introducing IT support for the development of competences, also from the point of view of sustainability, digitisation and innovation, as well as improving the organisational climate. In agreement with representative trade unions and employee representatives, we will continue to provide work and personal growth to employees as well as income that adequately reflects the Company's performance and the quality of its results.

In the first three months of 2023, we spent EUR 2.1 million on investments, the purchase of fixed assets and replacement equipment, which represents a good 10% of the planned funds for 2023. We are investing in programmes that exhibit potential for growth. With investments in production, we primarily pursue the goals of ensuring a profitable volume of production quantities, achieving higher quality, legislative compliance and energy sustainability. Improvements in the operation or upgrading of treatment plants and the implementation of measures to reduce emissions in the working environment are a constant at the Company.

We invest in programmes that exhibit potential for growth. With investments in production, we primarily pursue the goals of ensuring a profitable volume of production quantities, achieving higher quality and legislative compliance. We are building solar power plants in stages. Improvements in the operation or upgrading of treatment plants and the implementation of measures to reduce emissions in the working environment are a constant at the Company.

Our development activity follows a 5-year strategy and we are simultaneously preparing the basis for its revision, mainly in terms of supplementing the existing programmes, achieving an energy transformation, sustainable development and digitisation. Development activities were carried out according to identified opportunities in areas in which we possess the relevant expertise, as well as according to trends and customer expectations.

As part of ensuring the sustainable development of titanium dioxide production, we continued with a multi-year development project of comprehensive water management and a project to reduce the amount of waste. We also set up and implemented new activities in the areas of carbon footprint reduction, use of renewable energy sources, reuse of materials and energy efficiency.

The Company implements several interconnected projects, which allow us to comprehensively manage environmental and climate risks. The most important among them are alternative water supply projects, coordination of spatial acts at the Za Travnik red gypsum filling plant, remedial intervention at the Bukovžlak Non-Hazardous Waste Landfill (ONOB) and ensuring the stability of barrier bodies.

Subsequent chapters of the Report provide more detailed data by individual business lines as well as a presentation of the Company's financial position and operations.

Company’s Management Board

STATEMENT ON MANAGEMENT'S RESPONSIBILITY

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

The Management Board of Cinkarna Celje d. d. declares that the concise statements of Cinkarna Celje d. d. for the period that ended on 31 March 2023 were prepared in such a way that they present a true and fair view of the assets and business results of Cinkarna Celje d. d.

When preparing the statements, the same accounting policies were observed as when preparing the annual financial statements of Cinkarna Celje d. d. for the 2022 financial year.

The financial statements for the period ended on 31 March 2023 are prepared in accordance with IAS 34 - Interim Financial Reporting and should be read in conjunction with the annual financial statements prepared for the financial year ended on 31 December 2022.

The Management Board of Cinkarna Celje d. d. is responsible for the smooth operation of the Company and ensuring the preservation of the value of the assets of Cinkarna Celje d. d. and for the prevention and detection of fraud and other irregularities. The Management Board expects that the Company will have adequate resources in the future for the continuation of operations, which is why the Company's financial statements have been prepared on the going concern basis.

The Management Board declares that the following is true to the best of its knowledge:

- the business report of Cinkarna Celje, d. d. for the first three months of 2023 includes a fair presentation of the development and operating results of the Company and its financial position, including a description of the material types of risks, to which the Company is exposed,
- the financial report of Cinkarna Celje, d. d. for the first three months of 2023 is prepared in accordance with International Financial Reporting Standards as adopted by the EU and presents a true and fair view of the assets and liabilities, financial position, profit or loss and comprehensive income of the Company.

The Management Board adopted the financial statements with the associated policies and notes to the financial statements on 21 April 2021.

Company's management

President of the Management Board	**Member of the Management Board – Deputy President of the Management Board – CTO**	**President of the Management Board – Labour Director**
Aleš SKOK, BSc (Chemical Engineering), MBA - USA	Nikolaja PODGORŠEK SELIČ BSc (Chemical Engineering), Specialist	Filip KOŽELNIK, MBS

1 SALES

The Company's total sales in the period of 2023 under consideration are down 25% YoY. The total amount of sales or net sales revenues reached the value of EUR 50 million.

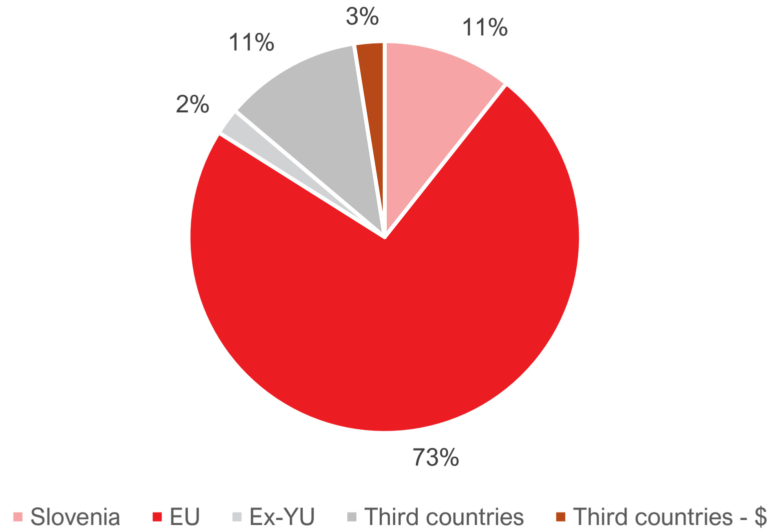
1.1 Sales by geographical segment

Total sales on foreign markets in 2023 decreased 26% YoY. The drop in sales on foreign markets is undoubtedly due to the lower sales prices of pigment and lower sales volumes. The drop is most evident in absolute terms on the EU market which is faced with pigment surpluses.

Sales by geographical segment

	2022	2023	ΔPY%
Slovenia	5,770,906	5,329,218	-8
EU	51,603,062	36,678,416	-29
Former Yugoslavia	1,527,424	1,107,737	-27
Third countries	6,729,518	5,662,550	-16
Third countries – dollar market	716,680	1,256,411	+75
TOTAL	**66,347,590**	**50,034,332**	**-25**

Shares of individual markets in the Company's total sales



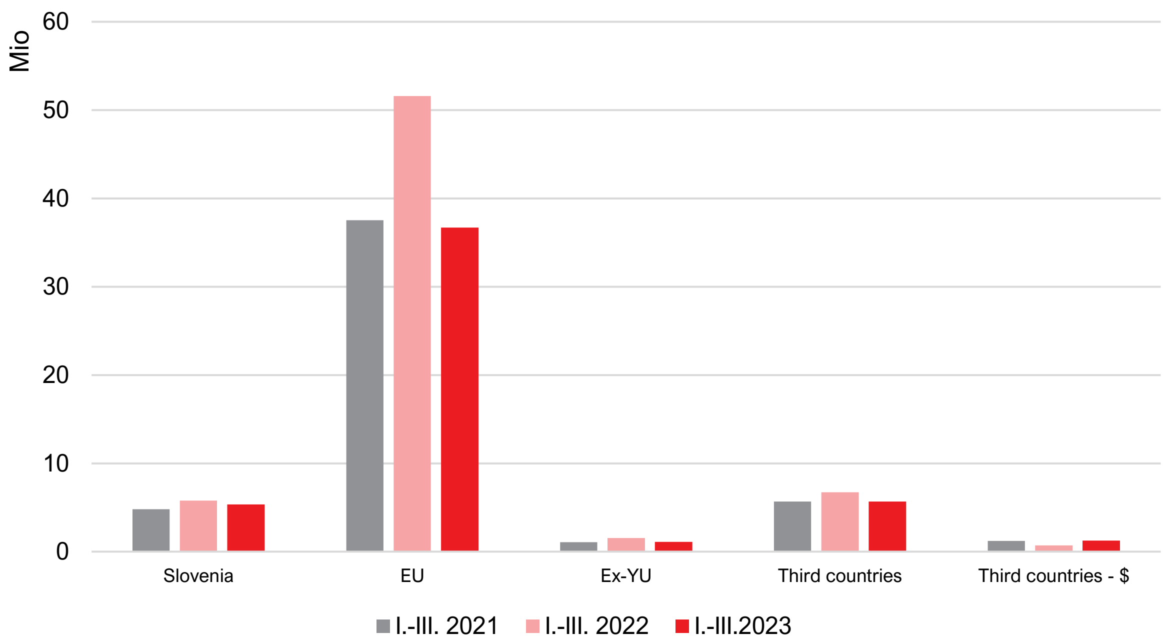
Sales on the EU market are down 29% YoY. The drop in sales is mainly the result of lower pigment sales prices and lower copper fungicide sales volumes. One of the key markets is Germany where we generate 32.6% of export sales and 29.2% of the Company's total sales. The importance of the German market increased slightly compared to the previous year.

Sales on the markets of the former Yugoslavia decreased by 27%, which is related to lower volume and value of pigment and zinc product sales.

Sales on the domestic market are down 8% YoY. The drop in sales is present in all BUs with the exception of the Chemistry Mozirje BU and the Polimers BU.

The drop in sales on third country markets is a total of 7% lower compared to the same period of the previous year. As already mentioned, the lower selling price of the pigment and lower sales volumes contributed the most in this segment as well. We still maintain minimal control market shares in the dollar markets as higher placements would be pointless due to specific conditions, which are certainly less favourable than in European markets.

Sales by geographical segment



The share of total exports within the total sales of the Company in the period under consideration was 89.3 %, which is a decrease of 0.9% compared to the previous year. The reduced share of exports refers to the lower value of sales to the key markets of Germany, Italy and France. The bulk of the sales is achieved through the export of titanium dioxide pigment.

The structure of sales by national markets changes on a quarterly basis depending on the conditions that prevail in each individual market at any relevant time. Roughly speaking, the structure is subject to the profitability of the markets, the marketing strategy and political-economic security and reliability of the markets.

1.2 Sales by business segment

Sales by business segment

	2022	2023	ΔPY%
Titanium dioxide	53,624,231	39,700,082	-26
Zinc processing	2,072,217	1,883,255	-9
Varnishes, coatings, masterbatches and printing inks	5,148,464	5,363,972	+4
Agricultural programme	4,185,129	1,764,139	-58
Other	1,317,549	1,322,884	0
TOTAL	**66,347,590**	**50,034,332**	**-25**

Sales of the **titanium dioxide pigment flagship programme** amounted to EUR 39.7 million in the period under review. The lower value of sales by EUR 13.9 million is the result of lower average sales prices. Pigment contract prices in Europe rose sharply through 2021, hitting a series of quarterly records. At the end of H1 2022, the sales price trend reversed. The demand for pigment is reduced due to favourable Chinese imports and excess stocks in Europe. Among other things, some competitors have announced or have already reduced pigment production in Europe. These are mainly global manufacturers with a portfolio of factories all over the world that have leased energy products in America or Asia at significantly lower prices. Auxiliary raw materials needed for pigment production also correlate with the price of energy.

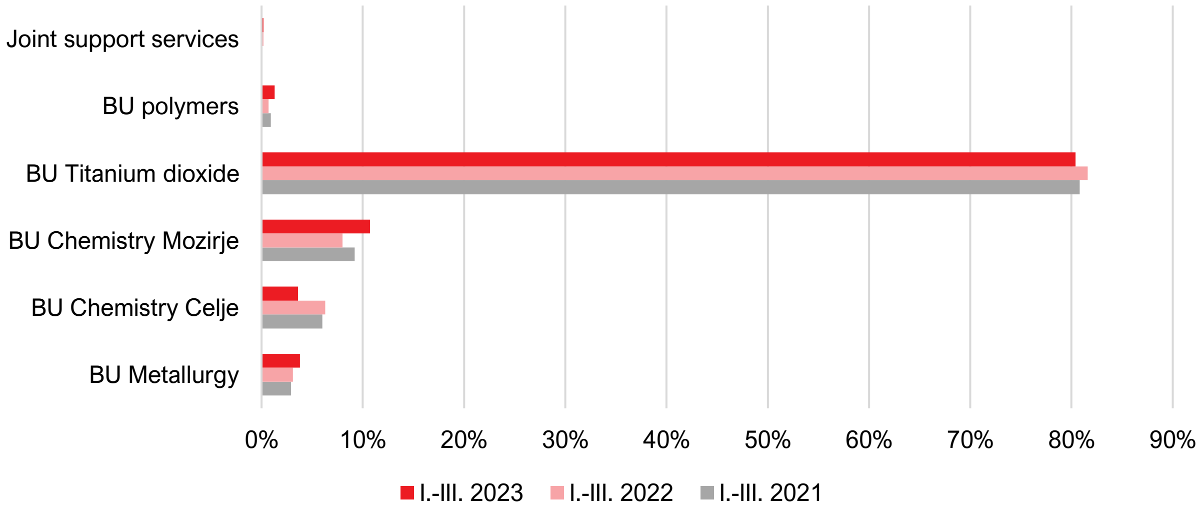
The **zinc processing sales programme** combines the product groups of zinc wire, anodes and alloys. Business operations are down 9% YoY. The drop in sales is mainly the result of lower zinc wire sales volumes and lower stock market prices of zinc.

In the period under review, there was a comparative increase of 4% in the sales of the **varnishes and masterbatches programme**, which is mainly related to the increase in the sales volume of masterbatches.

The sales of the **agricultural programme** comprising the copper fungicide and Pepelin, green vitriol and Humovit decreased by 58% YoY. The drop is the result of a shortage of quantities of copper fungicides at a major customer. Sales prices of copper fungicides remain at high levels. In 2023, we will continue the production and sale of a very interesting active substance on the market, i.e. tribasic copper sulphate (TBCS). We keep **Humovit** sales at the level of the comparable period in 2022. The fact remains that we depend on the situation in the local and nearby markets when selling soil as the product cannot sustain the additional transport cost of entering distant markets.

The "**other**" program includes thermoplastics, polymers, elastomers, aggressive media transport systems (STAM), sulphuric acid, CEGIPS, merchandise and services sales programmes as well as the sales of discontinued products and product groups. The value of the sales of the mentioned group is 1% higher comparatively. STAM sales are lower. The value of sulphuric acid sales is 2% higher. In the case of programmes of this group / category, it is necessary to point out CEGIPS sales. Namely, we sold 38.4 thousand tons of CEGIPS, which is important in the context of extending the life of Za Travnik.

Shares of individual business units in the Company’s total sales



In the period under review, it can be established that the relative shares have changed again. The participation of the Titanium Dioxide BU is lower by 1.3 percentage points. In line with the lower value of the sales of copper fungicides, the participation of the Chemistry Celje BU is also lower. Other BUs are recording an increase in participation due to the aforementioned changes.

The share of Polimers BU increased comparatively as the volume of operations coincides with the investment activity of the regional pharmaceutical and petrochemical industries. It is therefore basically a made-to-order, fully customised production of technological systems, which, however, is directly dependent on the investment cycles of the industry in the region.

The structure of sales by individual business units has changed. The short-term consequence of substantive changes is a smaller number of business units and the possible increase in the relative importance of the core programme, i.e. titanium dioxide.

2 OPERATING PERFORMANCE ANALYSIS

2.1 Profit or loss

Overview of generated income and expenses

	31 March 2022	PL. 31 March 2023	31 March 2023	ΔPY%	ΔPL%
REVENUES	**66,099,602**	**55,146,191**	**54,455,711**	**-18**	**-1**
Operating revenue	65,791,078	54,896,291	54,343,283	-17	-1
Finance income	308,524	249,900	112,428	-64	-55
EXPENSES	**46,873,064**	**53,134,040**	**49,762,982**	**+6**	**-6**
Operating expenses	46,671,572	52,884,140	49,681,193	+6	-6
Finance expenses	201,492	249,900	81,789	-59	-67
PROFIT OR LOSS	**19,226,538**	**2,012,151**	**4,692,729**	**-76**	**+133**
Corporate income tax	3,653,042	382,309	891,618	-76	+133
NET PROFIT OR LOSS	**15,573,496**	**1,629,842**	**3,801,110**	**-76**	**+133**

In the first three months of 2023, an **operating profit** of EUR 4.7 million was achieved. This result is only 24% of the achieved profit from operating activities in the first three months of 2022, which amounted to EUR 19.2 million. The operating performance was therefore significantly worse than last year, but at the same time above the level of the business plan. The mentioned deterioration of the result was the result of the lower value and volume of sales and the reduction in the selling prices of the flagship product. The operating profit including write-downs or EBITDA reached EUR 7.9 million and amounts to 16% of the realised sales. Compared to the previous year, EBITDA is 65% lower.

After accounting the impact of finance income and expenses, we disclosed **operating profit before taxes** of EUR 4.7 million in the first three months of 2023, whereby this figure was EUR 19.2 million in the first three months of 2022. The pre-tax profit increased by 76% compared to the previous year. In the first three months of 2023, we recorded a positive balance from financing of EUR 30.6 thousand (the balance was positive in the same period of 2022, i.e. EUR 107 thousand). The financing balance resulted from the positive balance of exchange rate differences and the positive balance of income and expenses from investments and interest. Ensuring a positive financing balance is the result of the forward purchase and sale of dollars and thus the effective use of hedging instruments to manage the volatile movement of the $/€ currency pair when purchasing titanium-bearing ores.

The net operating profit or loss for the period is EUR 3.8 million, which is 76% (EUR 15.6 million) lower YOY. Taking into account the developments in the international economy and on the titanium dioxide pigment and above all the results of competitors from the titanium dioxide industry, we estimate that the result is good and above expectations. The net profit comprises profit or loss before tax and the accounted corporate income tax of EUR 0.9 million (19% effective tax rate).

2.2 Expenses and costs

In the structure of the consumption of raw materials, packaging and energy, there are some major deviations compared to the comparable period in 2022. In relative terms, the most important increase

is the cost of energy products, which is 36% higher due to the current situation on the energy products market compared to the comparable period of the previous year. By employing measures to improve energy efficiency, we aim to control this category of costs. Despite the lower volume of production, the cost of raw materials is 3% higher.
The relationship between purchase and sale prices is changing as a result of higher input prices. Purchase prices of titanium-bearing raw materials are at higher levels than in the previous year. Their rise is also expected in the following quarters.

At the end of the period, the largest share of production costs came from raw materials (78%), followed by energy (21%) and packaging (1%).

The structure of labour costs is disclosed in the chapter Notes to financial statements 5 Labour costs. Gross wages were set in accordance with the provisions of the collective agreement taking into account the agreements between the unions and the Management Board. Transport to work and meals during work are reimbursed in accordance with the applicable regulations. Labour costs include additional pension insurance, severance pay, other employee benefits, costs for solidarity assistance, jubilee benefits and other items.

2.3 Assets

Overview of the asset structure

In EUR

	31 March 2023	% share	31 December 2022	% share
ASSETS				
Non-current assets				
Intangible assets	1,243,679	0.5	1,208,224	0.5
Property, plant and equipment	103,200,125	39.4	104,083,017	41.5
Financial assets measured at fair value through other comprehensive income	1,973,765	0.8	1,973,765	0.8
Other non-current assets	68,049	0.0	68,049	0.0
Deferred tax assets	1,226,475	0.5	1,226,475	0.5
Total non-current assets	**107,712,093**	**41.2**	**108,559,530**	**43.3**
Current assets				
Inventories	70,377,264	26.9	72,754,823	29.0
Financial receivables	10,634,052	4.1	0	0.0
Operating receivables	33,146,007	12.7	24,290,543	9.7
Cash and cash equivalents	39,533,372	15.1	45,210,098	18.0
Other current assets	265,204	0.1	133,009	0.1
Total current assets	**153,955,899**	**58.8**	**142,388,473**	**56.7**
Total assets	**261,667,992**	**100.0**	**250,948,003**	**100.0**

The share of non-current assets within the structure of total assets decreased by 2.1 percentage points as compared to the balance as at the end of 2022 and came in at 41.2%. The biggest category of non-current assets is property, plant and equipment (95.8%). Their value decreased by the difference between the amount invested in property, plant and equipment and the accounted actual depreciation over the first three months of 2023, i.e. by EUR 0.9 million or 1%. Non-current financial assets did not change in 2023 and comprise shares and participating interests. Deferred tax assets also remain at the level from the end of 2022. Other non-current assets are emission coupons obtained free of charge from the State.

The share of current assets within the structure of total assets increased by 2.1 structural points as compared to the balance as at the end of the previous year and accounted for 58.8%. In the structure of current assets, the most important categories in terms of value are inventories (46%), operating receivables including other current assets (21%), cash (26%) and financial assets (7%).

Inventories decreased by 3% compared to the balance as at the end of 2022, whereby the value of inventories of material (including advance payments) decreased by 14%, the value of inventories of work in progress increased by 15%, and the total value of inventories of finished products and merchandise increased by 13% (all compared to the balance as at the end of 2022). The biggest reason for the increase in the inventories of finished products is the lower pigment sale volume (quantity).

Current financial receivables as at 31 March 2023 stand at EUR 10.6 thousand and relate to investments in treasury bills with maturity of 3 to 6 months.

Current operating receivables comprise current trade receivables and current operating receivables due from others (mostly input VAT receivables due from the state). They increased by 36% as compared to the balance at the end of 2022. Trade receivables rose by 43%, while other current receivables decreased by 29%. The overview of trade receivables according to maturity points to the fact that the ageing structure of receivables is still of high quality and secured with an external institution or other forms of security.

Cash (and cash equivalents) account for 26% of the total value of current assets, with the volume of cash decreasing by 13% compared to the previous year. The value of cash is mainly the result of sound business operations throughout 2022.

Other current assets comprise prepaid expenses. The value rose by 4%.

2.4 Liabilities

Overview of the structure of liabilities

In EUR

	31 March 2023	% share	31 December 2022	% share
EQUITY AND LIABILITIES				
Equity				
Called-up capital	20,229,770	7.7	20,229,770	8.1
Capital surplus	44,284,976	16.9	44,284,976	17.6
Revenue reserves	120,290,401	46.0	120,290,401	47.9
Fair value reserve	-809,390	-0.3	-809,390	-0.3
Retained earnings	28,815,502	11.0	25,014,391	10.0
Total equity	**212,811,258**	**81.3**	**209,010,148**	**83.3**
Non-current liabilities				
Provisions for employee benefits	3,564,531	1.4	3,651,696	1.5
Other provisions	14,704,913	5.6	14,816,968	5.9
Non-current deferred revenues	370,155	0.1	363,054	0.1
Total non-current liabilities	**18,639,598**	**7.1**	**18,831,718**	**7.5**
Current liabilities				
Financial liabilities	28,413	0.0	59,392	0.0
Operating liabilities	24,083,661	9.2	19,518,145	7.8
Liabilities for the corporate income tax	1,507,205	0.6	2,367,161	0.9
Revenue from contracts with customers	141,086	0.1	157,520	0.1
Other current liabilities	4,456,771	1.7	1,003,919	0.4
Total current liabilities	**30,217,136**	**11.5**	**23,106,137**	**9.2**
Total liabilities	**48,856,734**	**18.7**	**41,937,855**	**16.7**
Total equity and liabilities	**261,667,992**	**100.0**	**250,948,003**	**100.0**

The value of equity in the structure of liabilities as at 31 March 2023 stands at 81.3%, which is 2 percentage points more than at the end of 2022. The amount of equity increased by 2% compared to the balance at the end of 2022. The increase refers to the generated net profit of Q1 of 2023 in the amount of EUR 3.8 million. As at 31 March 2023, the Company held 264,650 treasury shares following a 1:10 split on 15 August 2022 (the Company did not buy back treasury shares in 2023). There were no other material changes in equity.

The value of share capital within total equity remained unchanged at EUR 20,229,769.66 and comprises 8,079,770 ordinary freely transferable no-par value shares (264,650 of these are treasury shares entered in the treasury share fund) following the 1:10 split carried out on 15 August 2022. The book value per share as at 31 March 2023 was EUR 26.3 (it increased by 1.8% from the beginning of the year when it stood at EUR 25.9).

Provisions and long-term deferred revenues account for 7.1% of liabilities. Provisions for severance pay and similar liabilities were set aside on 1 January 2006 (for severance pay and jubilee benefits). They are adjusted annually based on actuarial calculations. Other provisions were established in the ownership transformation procedure, i.e. from environmental provisions. In recent years, we set aside the following additional environmental provisions: EUR 5 million in 2010 for rehabilitation of the Bukovžlak Solid Waste Landfill and EUR 7 and 5 million in 2011 for the rehabilitation of the Za Travnik Waste Disposal Plant and destruction of low-level radioactive waste. At the end of 2017, we studied, verified and restructured the provisions and only set aside new provisions for the elimination of risks arising from old burdens in the amount of EUR 6.4 million. The amount of provisions for dismantling was tested at the end of 2022 and adjusted in line with the current market conditions. The scope of environmental provisions decreased by 1% or EUR 112 thousand in the period under consideration because of the intended increase or coverage of the costs of the abovementioned rehabilitation projects. Long-term deferred revenues increased by 2%.

Financial and operating liabilities increased by 31 % compared to the balance at the end of the previous year because of the increase in trade payables by 45% as a result of the purchase of strategic titanium-containing raw materials and the increase in other current liabilities by 344%, contributions for liabilities to employees and uncertain deferred revenues from state aid. The corporate income tax liability for the 2023 financial year was lower by 36% on 31 March 2023 than the balance at the end of 2022. All financial and operating liabilities are of a short-term nature. The company's gross debt level is 11.5%, which is up 2.3% compared to the balance as at 31 December 2022.

Current financial liabilities as of 31 March 2023 amount to only EUR 28 thousand, while they stood at EUR 59 thousand at the end of 2022. The Company’s debt ratio is therefore 0.01‰ (0.02‰ at the end of 2022).

Current operating liabilities increased by 23% in the period. Current trade payables amounted to EUR 21.5 million as at the last day of March 2023, up 45 % compared to the balance at the end of 2022 as a result of the higher liabilities from the purchase of strategic raw materials. Other operating liabilities decreased by 45% (or by EUR 2.1 million) and comprise EUR 1.3 million of liabilities for the payment of net salaries and other net payments from the employment relationship, EUR 1.2 million of liabilities for contributions and taxes on personal income and the VAT liabilities as well as liabilities to other institutions.

Other current liabilities increased by 344% in the period. They mostly comprise accounted liabilities for annual leave and other labour costs, accrued environmental contributions and taxes and VAT on advances given. A part of the other current liabilities in the amount of EUR 1.5 million is represented by deferred revenues from the received state aid which companies claim pursuant to the Act Determining the Aid to the Economy to Mitigate the Consequences of the Energy Crisis (ZPGOPEK).

3 HUMAN RESOURCES

HR activity is focused on achieving the basic goals of the business policy where we paid special attention to the search for innovative ways of staffing and the social cohesion of the Company, which was quite dynamic in terms of labour costs due to the situation on the titanium dioxide market, the general situation in the country, high inflation and rising interest rates. We continued with a policy of moderate external recruitment where we cover the needs for professional workers and workers with higher and university education, while most of the other needs were covered by internal appointment and recruitment of professional staff. We focused on rejuvenating the teams at individual organisational units, replacements in critical positions, finding employees who perform professions with a lack of practitioners, i.e. especially natural science professions, and intensive negotiations about retirement with those employees who have already met the conditions for retirement and those who will meet these conditions reached at the Employment Agency of the Republic of Slovenia.

As at 31 March 2023, the Company had 757 employees, down 18 people or 2.3% compared to the end of 2022. There were noticeable minor changes in the number of employees by individual business units.

When communicating with employees, we encourage open and multilateral communication between the Company's Management Board, employees, the Works' Council and two representative trade unions. In addition to informing employees about the general current situation, it is also very important to obtain feedback and suggestions from employees, which facilitates a positive working atmosphere at the Company, promotes a good organisational culture and increases loyalty to the Company. It also strengthens the trust of employees in the management of the Company.

Communication was the focus of the Company's Management Board, directors of business units and the Works' Council in Q1, whereby they employed a broad range of communication channels. To convey information to our employees, we used printed and electronic media, such as: messages from the Company's Management Board via e-mail with current news for employees and an e-mail dialogue of our company mascots (Cinko and Cinka), Informator - printed version, the Cinkarnar corporate magazine - 2x annually, Cinkarna Celje's Facebook and LinkedIn social networks are active, we also publish a trade union newsletter and have our own Sharepoint (intranet and extranet) and notice boards that are always interesting and active for publishing news. More than 70 notice boards are installed throughout the Company as a means of communication.

One new feature is the Moja Cinkarna application for employees, which allows access to certain parts of the business-information system. Current functionalities include lunch ordering, viewing the number of vacation days, a phone book, and reviewing internal notifications. The application is well received by employees and will be getting new functionalities.

In the field of social work, activities related to the individualised resolution of workers' problems, the deployment of disabled workers, ergonomics, employee prevention and the retirement of those employees who meet the conditions for retirement took place during the period in question.

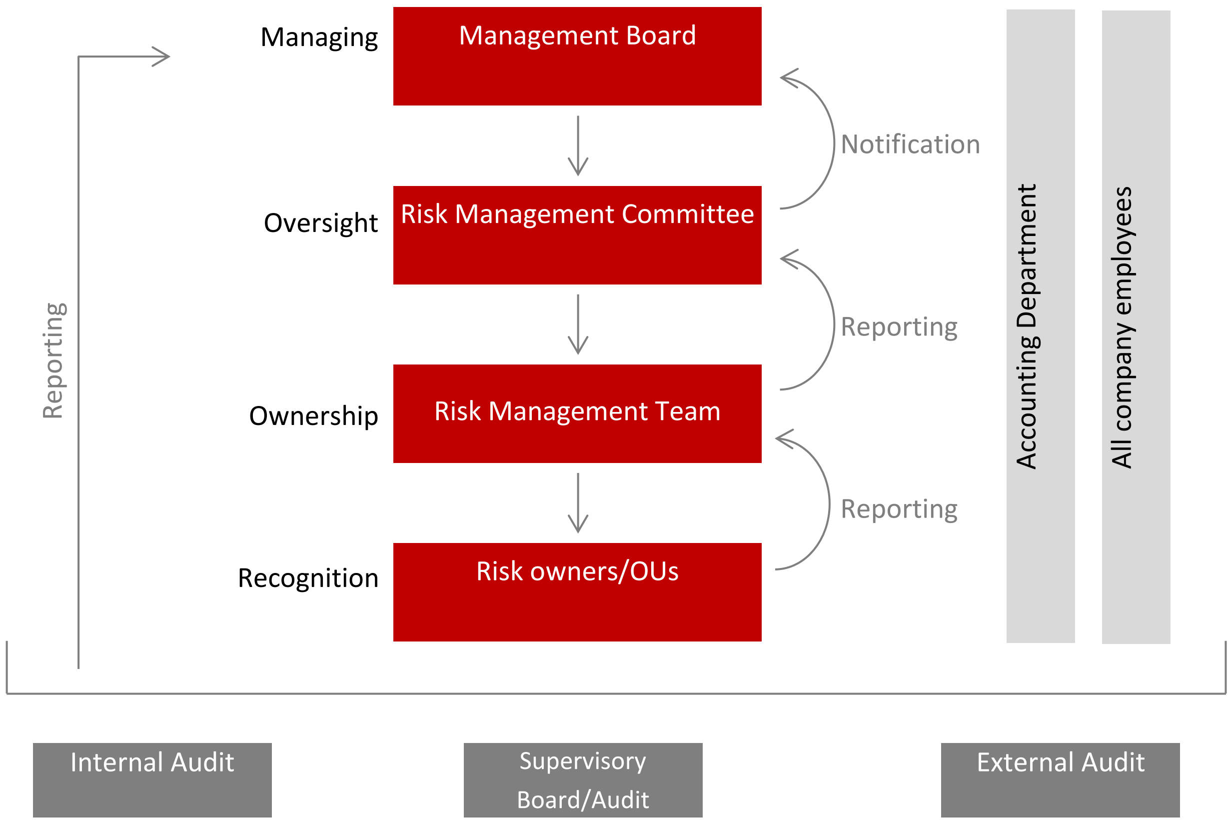
In the future, the plan is to continue optimising the HR structure by in-company transfers and recruiting new young and technically qualified personnel. Investments in development, education and further improvement of the working environment of employees will also continue.

4 KEY RISKS IN THE COMPANY'S OPERATIONS

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

The risk management system includes risk identification, risk assessment and classification, implementation of measures, control and reporting. On the basis of monitoring and analyses of the external and internal environments, we obtain input data for defining key risks and opportunities, which is crucial for our operational, tactical and strategic planning in line with the goals of sustainable development.

The system is disclosed in detail in the Annual Report, i.e. the Risk and Opportunity Management chapter. The overview of key risks below is updated and defined subject to the state-of-affairs and expectations at the time of writing of this Report.



I. Sales and purchasing risks			
Risk name	**General description of the risk at the company level**	**Risk management**	**Risk level**
Energy products	The price of our products is not competitive due to the high prices	We conclude agreements, monitor trends and conclude forward contracts.	Low

I. Sales and purchasing risks			
Risk name	**General description of the risk at the company level**	**Risk management**	**Risk level**
	of energy products (natural gas and electricity)	We negotiate PPAs (power purchase agreements) - long-term electricity purchasing agreements. We implement measures to increase energy efficiency. We are systematically increasing our own production of electricity from renewable sources - solar power plants on buildings, cogeneration of electricity from steam. We are planning to install battery storage of electricity to balance consumption during peaks. We regularly balance the structure of consumption of individual energy products, implement energy management and carry out ongoing measures/projects to optimise energy use.	
Key customers	Loss of market share and revenues due to (price) non-competitiveness in relation to customer expectations compared to price-aggressive competitors	We select optimum marketing strategies, suitable sales channels, pre- and after-sales services, provide competitive sales prices and high-quality products while increasing productivity and reducing production costs. We are also increasing our customer portfolio on the so-called spot markets.	Low
Competition	Loss of market share and revenues due to (price) non-competitiveness in relation to customer expectations compared to price-aggressive competitors from China and eastern Europe	We directly limit the risk by expanding the sales network, diversifying the production and sales portfolio, introducing new sales channels, developing marketing partnerships and new products that enable entry into new markets and industries. By making targeted technological investments, we focus our sales portfolio on applications and markets that are more demanding in terms of content and high quality, and represent a departure from the so-called commodities markets, which are characterised by lower added value and high exposure to affordable Chinese pigment and pigment from eastern Europe. We select optimum marketing strategies, suitable sales channels, pre- and after-sales services, provide high-quality products while	Medium

I. Sales and purchasing risks			
Risk name	**General description of the risk at the company level**	**Risk management**	**Risk level**
		increasing productivity and reducing production costs. We are also increasing our customer portfolio on the so-called spot markets. We also indirectly manage sales risks through the systematic monitoring and comparative analyses of relevant industries (competitors and customers), participation in industry marketing & professional meetings and the introduction of standards in the field of quality management, safety, environment and health.	
Work items	Loss of revenue due to unforeseen extensions of delivery dates throughout the supply chain	We place orders on time, make reservations with suppliers, look for alternative suppliers and alternative testing procedures. We ensure timely planning of needs and ordering of raw materials, take into account time reserves that are based on our experience and, as appropriate, increase minimum stocks. We will produce a business case and checklist for all strategic raw materials.	Low
Work items	Loss of production due to loss of supply of work items at monopolistic suppliers	We pursue the goal of adequate agreement-based hedging. In critical cases, we ensure we have larger stocks. We carry out thorough research of the raw materials market and possible substitutes and take timely action based on the findings. We are carrying out accelerated purchasing and negotiation activities with existing suppliers so as to ensure the planned quantities of PFA material. We are expanding the circle of suppliers with new ones. We search for alternatives to PFA material. We follow the publication of alternative technologies for the processing of titanium-bearing ores. We are checking the possibilities and expediency of introducing technological changes to enable the production of titanium dioxide only from ilmenite. We search for, test and introduce new sources of raw materials into production. We also evaluate alternative raw material sources in terms of creating catalogues of verified alternative raw materials and suppliers. We build long-term and stable partnerships in a targeted manner. We monitor and analyse the state of international markets ourselves and by commissioning market specialists. We also maintain regular contacts with suppliers that are not our operational business partners, but nevertheless represent a quality potential alternative.	Low

I. Sales and purchasing risks			
Risk name	**General description of the risk at the company level**	**Risk management**	**Risk level**
Legislative compliance	Loss of revenue due to proposed changes in legislation for food contact materials (packaging)	Through the supply chain, we obtain information from customers on the intended use of the product and the requirement to meet the standard. We carry out testing and analysis of titanium migration from masterbatches into model solutions. We are looking for opportunities to offset potential lost sales for incorporation in food contact products with sales for other applications (e.g. agro films, automotive). As a long-term measure, we are looking at the possibility of manufacturing the product from suitable raw materials that enable obtaining a standard/certification (FDA).	Low
Legislative compliance	Loss of revenue due to new chemical sustainability strategy	Within the Titanium Dioxide Manufacturers Association (TDMA), we follow the requirements of the new legislation with a working group and initiate the necessary/possible activities both at the EU level and individually within the Company. Within the TDIC consortium, we are in the process of updating the REACH dossiers in line with the requirements of the European Chemicals Agency (ECHA). To this end, we are also carrying out a broad scientific programme within TDMA, which includes studies on the potential impact of nano and pigmented forms of titanium dioxide on human health.	Low

II. Production risks			
Risk name	***General description of the risk at the company level***	**Risk management**	**Risk level**
Storage and production capacity	Shortfall in volumes due to under-utilisation of production capacity	We implement measures to increase energy efficiency and plant availability. With the help of an external associate, we identified opportunities for more efficient utilisation of production capacities. We defined key efficiency indices in individual key processes through the analysis of bottlenecks.	Medium

		We organise work in several shifts. We are intensifying procedures for the search for missing personnel. We adapt storage capacities (additional silos and tanks) and logistics to production needs.	

III. Financial risks			
Risk name	**General description of the risk at the company level**	**Risk management**	**Risk level**
Credit risk (customer payments)	Loss of revenue due to non-payment by customers whose receivables are not secured, which represents approx. 2% of receivables	The Company applies internal credit control for each individual customer that is assigned an individual credit limit based on payment discipline, credit rating and good standing with the Company. The credit risk monitoring and management process was further enhanced through receivables insurance with an external institution where credit limits are set, monitored and changed on a daily basis. In addition to the regular monitoring of the credit limit for each customer, the payment discipline of the customer and the publication on the AJPES (Agency of the Republic of Slovenia for Public Legal Records and Related Services) website regarding proceedings under the Financial Operations, Insolvency Proceedings, and Compulsory Dissolution Act are monitored on a daily basis. Also, as the receivable becomes due, the customer is reminded of the due date of the receivable by way of a reminder, firstly by telephone and then in writing. Default interest is charged from the due date until the date of payment. Updated information is obtained on a regular basis for more accurate cash flow planning. We have a detailed, well thought out and accurate cash flow.	Low
Liquidity risk (customer payments)	Loss of payments within agreed deadlines due to customer insolvency or lack of payment discipline, which	We ensure a stable cash flow. The Company's business is traditionally conservative with an ample cash balance. Liquidity management comprises, among other things, planning expected cash commitments and their coverage on a daily, weekly, monthly and annual basis, ongoing monitoring of the solvency of customers and regular collection of overdue receivables. Updated information is	Low

III. Financial risks			
Risk name	**General description of the risk at the company level**	**Risk management**	**Risk level**
	may cause liquidity problems for the Company	obtained on a regular basis for more accurate cash flow planning. We have a detailed, well thought out and accurately designed daily, monthly and annual cash flow.	
Currency Risk	Loss of revenue and higher costs due to the euro/dollar exchange rate when purchasing materials and raw materials in US dollars (titanium-bearing raw materials, partly copper compounds)	Changes and forecasts of the dynamic of the EUR/USD pair are monitored at all times. We basically mitigate the short-term risk of unfavourable USD exchange rates by consistently using financial instruments in a standardised manner (USD futures and forwards). Updated information is obtained on a regular basis for advanced purchases of foreign currencies.	Low

IV. Spatial and environmental risks			
Risk name	***General description of the risk at the company level***	**Risk management**	**Risk level**
Climate risk	Occurrence of acute or chronic physical risks caused by climate change (drought, heat waves, storms, etc.)	For process water, we are increasing the use of water from internal recycling, thereby reducing the use of water from natural sources such as the Hudinja River and the Za Travnik spring. For more information, see the Integrated Water Management Project section. We are implementing a project to supply production with an alternative source of process water, namely to test the feasibility of reusing waste water from the Celje Central Wastewater Treatment Plant as a source of process water. We maintain facilities, address deficiencies, identify and eliminate potential hazards by upgrading fire safety and other safety measures, maintaining existing flood protection measures, inspecting the condition of installations and optimising processes.	High
Safety	*Negative impact on the Company's*	We carry out activities in accordance with the preventive activities set out in the Register of Potential Hazards to the Environment and	Medium

IV. Spatial and environmental risks			
Risk name	***General description of the risk at the company level***	**Risk management**	**Risk level**
	operations due to a natural disaster (such as an earthquake or major flood, lightning strike, ice damage, etc.)	Employees (rules, organisational regulations, compliance with storage instructions in the flooded part of the site, ongoing cleaning of shafts and maintenance of facilities, instructions for work, measurements, preventive and periodic inspections, etc.). When designing new buildings, we observe earthquake protection standards and regulations. Existing ones are inspected and maintained. The Company is flood-proofed with a wall to prevent water ingress in the event of flooding. We have pumping stations in place to pump out any excess water. We regularly inspect and maintain lightning conductors and earthing systems.	
Safety	Negative impact on the Company's operations due to an industrial accident (fire, explosion, spillage, etc.)	The risk is managed through systematic evaluation of environmental impacts and effects on the employees, periodical assessments of fire hazards and systemisation of employment positions with respect to the risk assessment. In the area of environmental impact mitigation, we have systematically introduced European environmental standards through the implementation of the principles of the "Responsible Action programme", and are harmonising our activities with the requirements of the IED and SEVESO directives. We carry out internal assessments of the adequacy of the implemented measures required by the SEVESO permit and remedy the identified shortcomings. We update our Environmental Risk Reduction Plan (ERRP) in light of changes. We carry out our processes in accordance with BAT (Best Available Techniques). As regards fire safety, we have our own firefighting unit organised, and the company also holds adequate fire insurance.	Low

IV. Spatial and environmental risks			
Risk name	***General description of the risk at the company level***	**Risk management**	**Risk level**
		In the area of accidents at work, we have set up a professional service that implements supervision over the observation of safety at work rules and measures. We provide regular education and training for employees. The Company holds liability insurance. We conclude written agreements with external contractors and provide them with training. We have hired a permanent coordinator for safety and health at work. We have introduced work instructions for the performance of maintenance intervention in terms of fire prevention, accident prevention and improvement of cleanliness in the workplace. We have had the ISO 14001 environmental management system and the ISO 45001 safety and health management system in place since 2009, both of which are certified and supervised by an authorised institution.	
Old burdens	Remediation of old environmental burdens	The Bukovžlak Non-hazardous Waste Landfill (ONOB) and the barriers with their specific materials represent old burdens. We have an environmental provision set aside for them and are carrying out rehabilitation activities. Technical observation and monitoring is carried out regularly in the area of the high-filled barriers (Bukovžlak and Za Travnik). Based on the results of the monitoring, systematic and long-term maintenance measures are implemented to ensure the stability of the barriers.	Low
Legislative compliance	Loss of production and increase in costs due to non-compliance with spatial planning acts	We are in the process of confirming amendments to the development plan for the red gypsum fill site at the Za Travnik landfill. We have submitted an amendment petition to all three municipalities concerned. The terms and conditions for the signing of the contract between the municipalities are underway.	High
Legislative compliance	Imposition of penalties in the event of non-compliance with the requirements of the Soil	We are implementing the measures set out in the findings of the Report on the Review of Technical Measures to Prevent Soil and Groundwater Contamination. We need to ensure that catch basins, platforms, floors in warehouses, drains, and transport routes are	Low

IV. Spatial and environmental risks			
Risk name	***General description of the risk at the company level***	**Risk management**	**Risk level**
	Contamination Assessment	fully sealed to prevent contamination of soil and groundwater with the hazardous substances concerned.	
Loss of reputation	Loss of reputation of the Company due to various factors (inadequate communication, negative environmental impacts, etc.)	The Company has processes in place at relevant departments and designated individuals responsible for investor relations, environmental prevention, health and safety, marketing, product sustainability and recruitment. We collect and consider stakeholder feedback and address it in our enterprise risk management process. We act in a socially responsible manner. We are developing an ESG strategy.	Low

V. Human resources and organisational risks			
Risk name	**General description of the risk at the company level**	**Risk management**	**Risk level**
Staff competence and availability	Loss of production and revenue due to incomplete succession policies and inadequate staff competences	We have a recruitment system in place with each position of employment having a job training programme and a mentor. As part of the 2023 performance targets, we are establishing a system to inventory all specific and generic skills in the Company for all business units/services, a renewed onboarding system for new hires, and a verification of existing skills for employees with a simultaneous revision of the competency model. Based on the revised competencies for individual positions of employment, employees will be trained in areas with competency gaps. The training plan includes a number of additional external training courses for employees in the areas of planning, lean production and IT. We ensure that the active status of existing approved engineers is maintained.	Low

V. Human resources and organisational risks			
Risk name	**General description of the risk at the company level**	**Risk management**	**Risk level**
		We have inventoried the key positions in the Company, identified possible successors, defined the time until the necessary replacement and the additional competences required. We run a leadership development programme, the Leadership Academy, for the most promising candidates.	
Staff competence and availability	Loss of production and revenue due to staff shortages, untimely replacements and inadequate organisation of work	We strive to identify staffing and recruitment needs in a timely manner, with the aim of ensuring an appropriate education, skills and age structure. We continuously implement organisational changes and adapt agilely to new circumstances. In addition to traditional recruitment methods, we employ innovative recruitment solutions via social networks to find new employees. We have staff scholarships available. We have deepened our cooperation with secondary schools. We offer students in-company placement and internships as well as the option of student work. We provide students with the opportunity to work on their bachelor's, master's and doctoral theses in the Company.	Low
Legislative compliance	Imposition of penalties on the Company and the persons responsible and compensation for breaches of labour law	We regularly monitor legislation amendments and implement them in our system. We organise meetings with business units, keep each other informed and take action on an ongoing basis to correct any non-compliance. We maintain an open dialogue with our social partners.	Low
Corruption, theft, fraud	Potential loss of credibility and damage to the business	In making business decisions and in all actions on behalf of the Company, employees must consider the best interests of the Company before their own interests or those of third parties whereby our efforts to compete are exclusively fair and honest.	Low

V. Human resources and organisational risks			
Risk name	**General description of the risk at the company level**	**Risk management**	**Risk level**
		We have a system in place to prevent corruption in purchasing. The appropriate and expected conduct of employees is set out in the Code of Ethics and Conduct. A mechanism is in place to disclose or report misconduct.	

VI. Support process risk			
Risk name	**General description of the risk at the company level**	**Risk management**	**Risk level**
Digitisation	Loss of production and competent workforce due to slow digitisation of control and management processes	The performance targets cover the implementation of a new maintenance IT system and the introduction of a predictive maintenance system. We are continuously updating, upgrading and integrating existing IT systems.	Low
Cyberattack risk	Production downtime due to a workstation and/or management system server cyberattack with malware to extort or steal data	In connection with the increased risk of cyberattacks, we have upgraded existing measures and established many new measures to ensure cyber security. We pay a great deal of attention to raising employees' awareness of IT security (phishing test, dedicated training, etc.). In 2022, we adopted the IT Security internal document, which includes five key points for boosting security: - MFA – activation for all employees for access outside Cinkarna - upgrade of workstations to Windows 10 and Office 365 - partially implemented installation of Check Point harmony endpoint protection on workstations - implemented pilot control over the operation of the industrial network - we introduced a security mechanism that will protect Cinkarna Celje's internal network from intrusions by external actors through the attack involving the connection of unauthorised devices to our network.	Low

We highlight and explain the following risks facing the Company:

- **Cyber attack risk**

In connection with the increased risk of cyber attacks, we have upgraded existing measures and established many new measures to ensure cyber security. We pay a great deal of attention to raising employees' awareness of IT security (phishing test, dedicated training, etc.). In 2022, we adopted the IT Security internal document, which includes key points for boosting security:

- MFA - activation for all employees for access outside the Company was carried out as part of Microsoft's MFA activation campaign for all users, thereby increasing the security of systems based on Microsoft Cloud solutions;
- the upgrade of workstations to Windows 10 and Office 365 was completed in 2022, which is the result of a delay due to the Covid-19 pandemic;
- Check Point harmony endpoint protection must be installed on all workstations. The measure is being implemented. In the simulation of a phishing attack that we carried out in December 2021, the protection proved itself in terms of proactivity and level of protection as it did not immediately let any harmful messages through. In order to actually perform the test on users, we had to temporarily disable the system with a security exception, which testifies to its quality and reliability;
- with the help of the CyberVision product, we carried out a pilot control over the operation of the industrial network. Thus, we got a more accurate insight and guidelines for improvements in the field of cyber security of the network;
- we introduced the Cisco ISE security mechanism that will protect Cinkarna Celje's internal network from intrusions by external actors through the attack involving the connection of unauthorised devices to our network.

In 2023, we did not record any cyberattack intrusion or attempted intrusion.

- **Russia's invasion of Ukraine**

Cinkarna Celje's exposure to the markets of Ukraine is insignificant as the Company has no sales in Ukraine. However, the indirect exposure is not negligible as Ukraine is an important supplier of ores to many producers of titanium dioxide (Cinkarna Celje has no supplies from Ukraine). War conditions can temporarily suspend or even stop supplies of ores, as a result of which their customers will be forced to find an alternative supplier, which can trigger an increase in the prices of titanium-bearing ores and increase the purchase prices of the basic strategic raw material of Cinkarna Celje.

- **Risks related to energy products**

Another important factor, which represents a significant share of Cinkarna Celje's costs, is energy, which means greater exposure of the Company to the prices of energy products. Events on the Russian market may lead to an increase in the already elevated prices of energy products or – in the worst-case scenario – the interruption of deliveries of natural gas, which would seriously threaten the production and operation of Cinkarna Celje. In order to ensure the supply of electricity and natural gas for the coming years, we have concluded forward contracts with energy suppliers for most of our energy supplies. The Company balances the purchases and sales of long-term futures contracts of grid electricity on the German (EEX) or Hungarian (Hudex) OTC markets and the remaining purchase/sale difference (additional or excess amount) of electricity on the spot (day ahead) market (BSP), which is calculated for each individual hour of the day. The Company adjusts purchases/sales dynamically according to the expected consumption of electricity during the year by purchasing/selling long-term forward contracts (annual, quarterly, monthly). The required amounts of electricity are adjusted due to the active construction of own solar power plants (PS2 connection), streamlining of use and electricity consumption savings, which is in line with the orientations of the European Commission and the Republic of Slovenia.

5 INFORMATION ON SHARES AND THE OWNERSHIP STRUCTURE

5.1 Ownership structure

The share capital of Cinkarna Celje, d. d. amounts to EUR 20,229,769.66 and is divided into 8,079,770 ordinary freely transferable no-par value shares. The Company has 264,650 treasury shares (or 3.28% of the total issuance) in its treasury share fund as at the end of the period. The number of shareholders in the period is 2,179. The table below shows the ownership structure at the end of the period.

Structure of the ownership of shares of Cinkarna Celje, d. d.

	No. of shares	%
SDH, d.d	1,974,540	24.44
Modra zavarovalnica, d.d	1,629,630	20.17
UNICREDIT BANK AUSTRIA AG - FID	364,525	4.51
TR5 d.o.o	328,270	4.06
Treasury shares	264,650	3.28
KRITNI SKLAD PRVEGA POKOJNINSKEGA SKLADA	167,050	2.07
RAIFFEISEN BANK AUSTRIA D.D. - FID	161,460	2.00
CITIBANK N.A. - FID	113,351	1.40
NLB FUNDS - SLOVENI MIXED	97,490	1.21
TINFIN d.o.o.	82,000	1.01
Generali Galileo, a flexible mixed sub-fund	77,080	0.95
Internal shareholders – natural persons	60,027	0.74
External shareholders – natural persons	1,891,916	23.42
Others	867,781	10.74

5.2 Share trading

Trading in the shares of Cinkarna Celje, d. d. (ticker CICG) is performed on the free securities market. The first trading day was 6 March 1998. The average price per share as at the first day of trading was EUR 33.71. As of 16 August 2022, the trading and settlement take place according to the new regime. The quantity of shares on the market is elevated and their price is adjusted (divided by 10).

Changes in the market value of shares (average price as at the last day of the month) and trading volume value:

	Share value		Trading volume value
	2022	2023	2023
JAN	26.5	25.8	2,253,633
FEB	24.4	28.2	930,531
MAR	27.8	28.8	1,521,553
APR	28.8		
MAY	29.8		
JUN	27.4		
JUL	28.4		
AUG	27.8		
SEP	23.6		
OCT	23.0		
NOV	26.0		
DEC	23.0		

The value of the Cinkarna Celje, d. d. share listed on the prime market of the Ljubljana Stock Exchange (ticker: CICG) fluctuated between EUR 23 and 29 per share during the period under consideration. From the last trading day in 2022 to the last trading day of the period under consideration, the value of the share is higher by 25%.

Changes in the value of the share (right axis) and the exchange trading volume (left axis) by month in 2023

6 FOUNDATIONS OF DEVELOPMENT

6.1 Investments

The total planned value of investments in 2023 is EUR 20,479,040.00. We realised 10.11% of the planned value in Q1.

We lag behind the most in the area of investments. The realisation is in line with the expectations for Q1 (period of ordering and start of implementation, invoices come after completion). Deviations will almost certainly occur in the following projects:

- return of water from the Bukovžlak reservoir because there is a need to harmonise the spatial planning act;
- relocation of the pipelines on plot 115/1 (Teharje Cadastral Community), which will have to be carried out due to the planned rehabilitation under the jurisdiction of Ministry of the Natural Resources and Spatial Planning – the implementation of the rehabilitation is delayed;
- the purchase of a battery storage unit where the changed conditions on the energy market have led us to re-examining the feasibility of the investment.

We are continuing with the project of setting up solar power plants for the production of electricity from renewable sources. By the end of March, we thus installed a total of 3.6 MW of installed power.

Basic engineering for increasing the steam pressure from the sulphur combustion process and co-generation of electricity is being prepared.

As a preventive measure against the announced possibility of a partial reduction in the supply of natural gas, we renovated the tank for extra light heating oil (ELKO), carried out the necessary installations and equipped one calcination furnace with a burner that would enable the use of extra light heating oil in addition to natural gas. The start-up was not successful in the first attempt. Since production was jeopardised by this, we moved it to the time of the overhaul in the autumn.

Investments that are proceeding according to plan:

- replacement of the absorption tower in the production of sulphuric acid;
- installation of an additional storage tank 12.10 C for the discharge of solution from the digestion towers;
- modernisation of storage and preparation of lime and calcite suspension;
- installation of a central tank for the third vacuum cooling line;
- solution pumping from 12.01 A into the digestion towers;
- installation of a third sand mill for wet grinding of calcinate;
- replacement of the first of the two filter presses for moisture extraction from pigment;
- elimination of dust sources at Final Processing.

We are checking the possibility of purchasing an unused reactor from the closed titanium dioxide factory in Pori, Finland for the planned installation of the 5th Sulfacid reactor for cleaning flue gases from calcination.

The upgrade of the network for TiO2 BU production process data transfer and upgrade control and management of certain processes that have the most outdated software is underway. The Spekter production IT system is being upgraded.

6.2 Development activity

Several development tasks and tasks aimed at the introduction of improvements to already existing technological processes, products and services is being carried out at all organisational units.

Some of the most important ones are listed below.

Diversification of production programmes
We continue to consider and assess in detail the feasibility of further development for the identified opportunities. Among other things, in the area of diversification of input raw materials, production of battery materials, reduction of the amount of red gypsum for disposal, CO_2 processing and the use of expanded Teflon (e-PTFE) for the field of semi-permeable membranes.

Determination of the maximum possible volume of titanium dioxide production
Activities are underway to eliminate bottlenecks for the production of 71,000 t TiO_2/year.

Weather-resistant TiO_2
The industrial trial in Q1 has not yet been included in the production plan.

Nano TiO_2-based product development
We have developed a formulation based on PTK/UF TiO_2. Coating performance testing is positive. We cooperate with various companies that would incorporate our UF TiO_2 into their coating.

$BaSO_4$ development
We found that the change introduced in the wastewater generation technological process does not significantly affect the $BaSO_4$ precipitation process. A concept design project for the adaptation of one of the TiO_2 surface treatment lines for the purpose of trial production of $BaSO_4$ is being developed.

Processing of waste acid
We are achieving low yields. We are looking for a pre-concentration solution using the nano filtration technique.

Alternative source of process water supply
At the beginning of March, we started conducting pilot tests at the Tremerje municipal treatment plant location. The plant is not yet operating at optimum levels. We submitted an application to the Ministry of Natural Resources and Spatial Planning for the so-called preliminary procedure of checking the conditions for the siting of the pipeline and the implementation of water treatment. We are in the process of obtaining project conditions from Slovenian Railways and the Slovenia Water Agency.
We will have to wait for the siting of the pipeline until the approval of the Municipal Spatial Plan of the Municipality of Celje.

Development of copper hydroxide synthesis process for the Moldavian formulation
We have acquired the necessary laboratory equipment for conducting experiments.

Development of the DN 200 venturi ball valve
We have reviewed standards and competing solutions. We have prepared the parameters for the 3D model.

Development of powder coatings
In the first phase, various binders were tested for the development of a coarse-structured low-temperature E/P powder coating and the development of a system for low-temperature matt E/P powder coating.

Development of masterbatches
We have prepared various samples, which are tested for weather resistance by an external contractor.

6.3 Quality assurance

We manage various aspects of business (quality, environment, safety and health at work) with an integrated management system (IMS). The structure of the IMS is based on the ISO 9001 standard, which has been upgraded and expanded with ISO 14001 and ISO 45001.
Our laboratories are accredited according to the SIST EN ISO 17025 standard for wastewater monitoring. This year, we are expanding accreditation by two additional parameters (TOC, TNb).
We have prepared an annual plan for internal audits and have already started implementing it. We will audit BUs and services that have not been checked recently and review the completion of measures and the effectiveness of previous assessments.

External auditors will conduct an audit of the compliance of our integrated management system with ISO standards for 2023 at the end of May.

We regularly monitor the number of warranty returns, complaints and comments by buyers and respond with corrective measures. Warranty returns are rare.

We are continuing the activities on the project aimed at the development of new qualities of titanium dioxide and quality stabilisation. We carry out optimisations on individual production processes according to the planned sequence, which should help to raise and stabilise the quality level of our pigments.

The broader framework for Company operations quality assurance involves the project for the drafting of a business continuity plan. Implementation is in full swing.

Continuous improvements necessitated by quality standards and guidelines are the driving force behind progress and continuous improvement in all areas of the Company's operation. The useful proposal collection system (CC UM) received 69 proposals in Q1 which represents 0.09 improvements per employee.

6.4 Environmental management

In the area of the environment, we have three sets of tentative goals in 2023. They are intended to eliminate environmental risks and ensure sustainable development and legislative compliance.

I. Measures for the elimination of risk in the area of environmental protection

We are implementing measures to increase the safety of the Za Travnik high-filled barrier (obtaining the necessary documentation and permits for the construction of a reinforcing embankment and drainage ribs on the eastern flank). At the Bukovžlak waste disposal facility, we are preparing documentation for the construction of a facility to reduce lake formation and the construction of a drainage ditch for overflow water with a gauge point. We continue to carry out detailed monitoring of the state of the Bukovžlak waste disposal facility due to the inflow of filtrate from the gypsum filtration plant. We are also carrying out activities to establish more extensive monitoring of waste water in accordance with the requirements of the amended environmental permit (adaptation of BAT CWW). We carried out two evacuation drills at the Chemistry Celje BU in order to check the response to emergency situations. We are preparing expert groundwork for the digitisation of procedures for registration, analysis and control over the implementation of measures in case of emergencies, accidents, near misses, injuries at work, etc.

II. Sustainable development and circular economy

As part of sustainable development and the introduction of a circular economy, we have set goals in the following areas.

a. Use of renewable resources

We are continuing with the project of setting up solar power plants and co-generation of electricity from steam.

b. Energy efficiency

We are producing an analysis of the electrical conditions of the entire medium voltage network. We are renovating two energy transformers. We are making energy improvements on the metatitanic acid pre-drying process. We are checking the feasibility of installing a battery storage unit. We are replacing electric motors with more efficient ones. We are optimising the production and use of compressed air. We are replacing the lighting with more economical lighting fixtures.

c. Waste volume

We plan to reduce the amount of waste by increasing the CeGIPS extraction capacity and introducing procedures to increase yields in TiO_2 production. We are carrying out activities to reduce the amount of plastic waste. By planning and optimising lunch meals, we reduce the amount of wasted food.

d. Reuse of materials

We continue to implement the planned activities on the Alternative Options for the Supply of Process Water from the Tremerje Municipal Treatment Plant project. At the laboratory level, we are testing possible processes for processing waste 23% sulphuric (IV) acid. We are developing a process for processing copper-bearing sludge. We are looking for a set of possible methods of incorporation / use of waste powder coating dust (filter dust). We offer our customers the option of refurbishing and servicing worn-out elements (valves, connections, pipes). We introduce solutions for the reuse of pallets and textile containers in internal logistics.

e. Reduction of emissions into the working and external environment

At the TiO_2 BU, we continuously eliminate dust sources at workplaces.
We are preparing a review of "state of the art" solutions for reducing H_2S emissions in the separation process.
We have replaced the catalyst (activated charcoal) in all 4 Sulfacid reactors and thus significantly reduced SO_x emissions into the environment.
At the Chemistry Mozirje BU, we are carrying out activities for the installation of a central extraction system in the powder coating laboratory.

f. Sustainable purchasing

A working version of the "Sustainability Supplier Code of Conduct" has been prepared.

III. Maintaining/ensuring legislative compliance

We are carrying out activities to amend and supplement the Za Travnik development plan.

The 2nd phase of upgrading the storm sewer system with oil traps is underway.

We have obtained REACH registration for copper oxychloride.

REACH registration activities are ongoing in various non-EU markets for TiO_2 and intermediates. As part of the consortium, we are preparing the required data on nano TiO_2 surface treatments for the purposes of supplementation of the registration file.

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

The reconstruction of the closed Bukovžlak Non-Hazardous Waste Landfill is continuing. We are cooperating with the relevant ministry on the rehabilitation of plot 115/1 - relocation of pipelines.

In the first quarter of 2023, we had one extraordinary environmental inspection because a report was filed against us. They checked the operation of the waste disposal facilities (Bukovžlak and Za Travnik) in connection with the pollution of the Vzhodna Ložnica watercourse. No shortcomings were found.

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

As required by law, we prepared and submitted in a timely manner all reports on monitoring carried out in 2022. There were no cases of threshold values being exceeded. Regular activities are taking place for the harmonisation of environmental permits due to the introduced changes with the Ministry of the Environment, Climate and Energy. We also cooperate with the Chamber of Commerce and Industry and the Chemical Industry Association in harmonising requirements in the fields of the environment and energy.

All obligations for the reacquisition of the POR certificate, which was granted in January 2023, were completed. We completed the "Ecovadis sustainability rating" questionnaire with a universal system of indicators that measures the success in achieving the required indicators in the field of environmental protection, human rights protection, employee health, ethics and sustainable purchasing.

6.5 Health and safety

We did not record any serious work accidents during the first three months of 2023. We considered 1 minor accident at work, which is 2 fewer YoY. To monitor accidents at work, we use the calculation of various indicators, such as the frequency index, the index of the number of days of absence per number of employees and the index of the degree of injuries at work in relation to the number of working hours.

We are implementing the system of potential threat identification and taking action in case of near misses. We have identified 27 potential threats that we are eliminating concurrently. We received 2 near miss reports. The Safety Minute activity is implemented in production in various time intervals and takes various forms. We perform identification and breakdown of process risks relating to the assurance of safety and health at work, which we carry out at all production BUs where we also implement measures for the reduction of emissions into the work environment. Improvements in the field of safety and health at work and fire safety in individual BUs are also carried out on the basis of useful proposals from employees (CC UM system).

In accordance with the legislation, we also promote the health of our employees where we try to focus on addressing current health topics. Over the course of the year, we thus performed:

- measurements of the body mass index and analysis of results;
- control of blood fats and blood sugar;
- support for the SVIT programme (informing employees on the topic "The toilet bowl hides valued information that can save your life").

We did not detect any new safety and health risks during this period. Risks are defined and managed in the Register of Risks and Opportunities.

7 FINANCIAL STATEMENTS

7.1 Statement of profit or loss

Statement of profit or loss for the period from 1 January to 31 March

	JAN-MAR 2023	JAN-MAR 2022
Revenue from contracts with customers	**50,034,332**	**66,347,590**
- revenue from contracts with customers (domestic market)	5,329,218	5,770,906
- revenue from contracts with customers (foreign market)	44,705,115	60,576,684
Change in inventories of finished products and work in progress	3,695,058	-1,104,085
Capitalised own products and own services	610,439	512,730
Cost of goods and materials sold	55,782	36,677
Costs of materials	33,460,694	30,972,248
Costs of services	3,972,864	4,077,864
Labour costs	8,439,199	7,946,884
a) Cost of wages and salaries	5,238,465	4,958,206
b) Cost of social security	390,914	368,236
c) Cost of pension insurance	555,766	549,492
d) Other labour costs	2,254,054	2,070,950
Amortisation and depreciation expense	3,253,293	3,298,217
Other operating revenues	3,454	34,842
Other operating expenses	499,340	339,631
Impairments and write-down of operating receivables	21	52
Operating profit or loss	**4,662,090**	**19,119,505**
Finance income	112,428	308,525
Finance expenses	81,789	201,492
Financial result	**30,639**	**107,033**
Pre-tax operating profit or loss	**4,692,729**	**19,226,538**
Tax charged	**891,619**	**3,653,042**
Deferred tax	**0**	**0**
Corporate income tax	**891,619**	**3,653,042**
Net profit or loss for the financial year	**3,801,110**	**15,573,496**
Basic and diluted earnings per share (EPS)	**0.47**	**1.93**

7.2 Statement of the financial position

Statement of the financial position

	31 March 2023	31 December 2022
ASSETS		
Non-current assets		
Intangible assets	1,243,679	1,208,224
Property, plant and equipment	103,200,125	104,083,017
Land	9,586,423	9,604,509
Buildings	40,806,968	41,616,487
Production plant and machinery	39,624,256	41,447,746
Other plant and equipment	45,174	46,211
Property, plant and equipment under construction and in production	11,699,492	10,276,338
Advances for the acquisition of property, plant and equipment	1,437,812	1,091,727
Financial assets measured at fair value through other comprehensive income	1,973,765	1,973,765
Financial receivables	0	0
Operating receivables	0	0
Other non-current assets	68,049	68,049
Deferred tax assets	1,226,475	1,226,475
Total non-current assets	**107,712,093**	**108,559,530**
Current assets		
Assets held for sale	0	0
Inventories	70,377,264	72,754,823
Materials	39,046,998	45,206,025
Work-in-progress	3,763,937	3,266,936
Products and merchandise	27,434,143	24,216,888
Advances for inventories	132,186	64,974
Assets based on contracts with customers	0	0
Financial receivables	10,634,052	0
Operating receivables	33,146,007	24,290,543
Trade receivables	31,577,830	22,087,040
Other receivables	1,568,177	2,203,503
Corporate income tax assets	0	0
Cash and cash equivalents	39,533,372	45,210,098
Other current assets	265,204	133,009
Total current assets	**153,955,899**	**142,388,473**
Total assets	**261,667,992**	**250,948,003**

Statement of the financial position (continued)

	31 March 2023	31 December 2022
EQUITY AND LIABILITIES		
Equity		
Called-up capital	20,229,770	20,229,770
Capital surplus	44,284,976	44,284,976
Revenue reserves	120,290,401	120,290,401
Legal reserves	16,931,435	16,931,435
Reserves for treasury shares	4,814,764	4,814,764
Treasury shares	-4,814,764	-4,814,764
Other revenue reserves	103,358,966	103,358,966
Fair value reserve	-809,390	-809,390
Retained earnings	28,815,502	25,014,391
Total equity	**212,811,258**	**209,010,148**
Non-current liabilities		
Provisions for employee benefits	3,564,531	3,651,696
Other provisions	14,704,913	14,816,968
Non-current deferred revenues	370,155	363,054
Financial liabilities	0	0
Operating liabilities	0	0
Revenue from contracts with customers	0	0
Deferred tax liabilities	0	0
Total non-current liabilities	**18,639,598**	**18,831,718**
Current Liabilities		
Liabilities included in disposal groups	0	0
Financial liabilities	28,413	59,392
Operating liabilities	24,083,661	19,518,145
Trade payables	21,549,189	14,898,860
Other liabilities	2,534,472	4,619,285
Liabilities for the corporate income tax	1,507,205	2,367,161
Revenue from contracts with customers	141,086	157,520
Other current liabilities	4,456,771	1,003,919
Total current liabilities	**30,217,136**	**23,106,137**
Total liabilities	**48,856,734**	**41,937,855**
Total equity and liabilities	**261,667,992**	**250,948,003**

7.3 Statement of changes in equity

Statement of changes in equity in 2023

CINKARNA Metalurško - kemična industrija Celje, d. d.	Called-up capital	Capital surplus	Revenue reserves				Fair value reserves	Retained earnings		Total equity
			Legal reserve	Reserves for treasury shares	Treasury shares	Other revenue reserves		Net profit or loss brought forward	Net profit or loss for the financial year	
Opening balance for the period	**20,229,770**	**44,284,976**	**16,931,435**	**4,814,794**	**-4,814,794**	**103,358,966**	**-809,390**	**84,159**	**24,930,233**	**209,010,148**
Changes in equity - transactions with owners										**0**
Buyback of treasury shares										0
Withdrawal of treasury shares										0
Dividend distribution										0
Total comprehensive income for the period									**3,801,110**	**3,801,110**
Entry of net profit or loss for the period									**3,801,110**	**3,801,110**
Other items of total comprehensive income in the period										0
B3. Changes in equity								**24,930,232**	**-24,930,232**	
Allocation of the remaining net profit for the period to other equity components										0
Allocation of part of net profit for the period to other equity components according to the resolution of management and supervisory bodies								24,930,232	-24,930,232	0
Formation of reserves for treasury shares										0
Release of reserves for treasury shares										
Closing balance for the period	**20,229,770**	**44,284,976**	**16,931,435**	**4,814,794**	**-4,814,794**	**103,358,966**	**-809,390**	**25,014,391**	**3,801,110**	**212,811,258**
DISTRIBUTABLE PROFIT								**25,014,391**	**3,801,110**	**28,815,502**

Statement of changes in equity in 2022

CINKARNA Metalurško - kemična industrija Celje, d. d.	Called-up capital	Capital surplus	Revenue reserves				Fair value reserves	Retained earnings		Total equity
			Legal reserves	Reserves for treasury shares	Treasury shares	Other revenue reserves		Net profit or loss brought forward	Net profit or loss for the financial year	
Opening balance for the period	**20,229,770**	**44,284,976**	**16,931,435**	**4,814,794**	**-4,814,794**	**84,892,734**	**-1,179,702**	**86,234**	**24,920,343**	**190,165,790**
Changes in equity - transactions with owners										**0**
Buyback of treasury shares										0
Withdrawal of treasury shares										0
Dividend distribution										0
Total comprehensive income for the period									**15,573,496**	**15,573,496**
Entry of net profit or loss for the period									15,573,496	15,573,496
Other items of total comprehensive income in the period										0
B3. Changes in equity								**24,920,343**	**-24,920,343**	**0**
Allocation of the remaining net profit for the period to other equity components										0
Allocation of part of net profit for the period to other equity components according to the resolution of management and supervisory bodies								24,920,343	-24,920,343	0
Formation of reserves for treasury shares										0
Release of reserves for treasury shares										
Closing balance for the period	**20,229,770**	**44,284,976**	**16,931,435**	**4,814,794**	**-4,814,794**	**84,892,734**	**-1,179,702**	**25,006,577**	**15,573,496**	**205,739,285**
DISTRIBUTABLE PROFIT								**25,006,577**	**15,573,496**	**40,580,073**

7.4 Statement of cash flows for the period

Statement of cash flows for the period from 1 January to 31 March

	JAN - MAR 2023	JAN - MAR 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Pre-tax net operating profit or loss	**4,692,729**	**19,226,538**
Adjustments for:	**3,344,349**	**3,372,864**
amortisation +	3,253,293	3,298,217
Profit/loss from disposal of fixed assets	-9,449	-32,684
Impairment/write-down (reversal of impairment) of assets	69,846	245
Net reduction/revaluation adjustment of receivables	21	52
Net finance income/expenses	30,639	107,033
Cash flow from operating activities prior to change in net current assets (working capital)	**-1,004,942**	**-17,293,898**
Changes in the balance of operating receivables	-8,855,484	-15,324,579
Changes in the balance of other non-current and current assets	-132,195	0
Changes in the balance of inventories	2,307,734	620,130
Changes in the balance of operating liabilities	4,565,516	-1,034,462
Changes in the balance of provisions	-1,718,414	-334,499
Changes in the balance of deferred revenues	7,071	-701,596
Changes in the balance of other current liabilities	3,452,852	291,578
Changes in the balance of liabilities from contracts with customers	-16,434	46,934
Corporate income tax paid	-615,587	-857,404
Net cash flow from operating activities	**7,032,136**	**5,305,504**
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts from investing activities	**25,758**	**32,817**
Interest received	16,309	133
Receipts from the disposal of property, plant and equipment	9,449	32,684
Disbursements from investing activities	-12,703,641	-1,786,692
Disbursements for the acquisition of intangible assets	-87,351	-197,530
Disbursements for the acquisition of property, plant and equipment	-1,982,237	-1,582,212
Disbursements for the acquisition of financial assets	-10,634,052	-6,950
Net cash flows from investing activities	**-12,677,883**	**-1,753,875**
Cash flows from financing activities		
Receipts from financing activities	**0**	**0**
Disbursements from financing activities	**-30,979**	**-130,140**
Disbursements for repayment of financial liabilities	-30,979	-130,140
Net cash flow from financing activities	**-30,979**	**-130,140**
Closing balance of cash and cash equivalents	**39,533,372**	**63,168,084**
Net increase/decrease in cash and cash equivalents	**-5,676,726**	**3,421,489**
Opening balance of cash and cash equivalents 1.1	**45,210,098**	**59,746,595**

7.5 Statement of other comprehensive income

Statement of other comprehensive income for the period from 1 January to 31 March

	JAN - MAR 2023	JAN - MAR 2022
Net profit	**3,801,110**	15,573,496
Other comprehensive income for the year	0	0
Other comprehensive income for the year that will not be recognised in profit or loss in the future	0	0
Other comprehensive income for the year that will be recognised in profit or loss in the future	0	0
Net other comprehensive income for the year that will not be recognised in profit or loss in the future	0	0
Other comprehensive income for the year (after tax)	**0**	**0**
Total comprehensive income for the year (after tax)	**3,801,110**	**15,573,496**

8 NOTES TO THE FINANCIAL STATEMENTS

1 Reporting by segment

Sales by business segment

In EUR

	JAN..MAR 2023	JAN..MAR 2022
Titanium dioxide	39,700,082	53,624,231
Zinc processing	1,883,255	2,072,217
Varnishes, coatings, masterbatches and printing inks	5,363,972	5,148,464
Agricultural programme	1,764,139	4,185,129
Other	1,322,884	1,317,549
TOTAL	**50,034,332**	**66,347,590**

Sales by regional segment

In EUR

	JAN..MAR 2023	JAN..MAR 2022
Slovenia	5,329,218	5,770,906
European Union	36,678,416	51,603,062
Market of the countries of the former Yugoslavia	1,107,737	1,527,424
Third countries	5,662,550	6,729,518
Third countries – dollar market	1,256,411	716,680
TOTAL	**50,034,332**	**66,347,590**

Profit or loss by area segments

In EUR

	Titanium dioxide - pigments		Zinc processing		Varnishes, coatings, masterbatches and printing inks		Agricultural programme		Other		Total	
	31.03.2022	**31 March 2023**	**31 March 2022**	**31 March 2023**	**31 March 2022**	**31 March 2023**	**31 March 2022**	**31 March 2023**	**31 March 2022**	**31 March 2023**	**31 March 2022**	**31 March 2023**
Revenue from contracts with customers	53,624,231	39,700,082	2,072,217	1,883,255	5,148,464	5,363,972	4,185,129	1,764,139	1,317,549	1,322,884	**66,347,590**	**50,034,332**
Other operating revenues	8,275	31	0	0	0	0	0	0	539,297	613,862	**547,572**	**613,893**
Changes in the value of inventories	-333,651	3,947,567	105,606	-4,733	178,703	-227,039	-1,139,218	-132,853	84,474	112,116	**-1,104,085**	**3,695,058**
Operating cost	-35,753,181	-39,011,103	-2,141,679	-1,815,897	-4,232,697	-4,712,669	-2,543,271	-1,711,425	-2,000,743	-2,430,099	**-46,671,570**	**-49,681,193**
- of which amortisation/depreciation	-1,916,443	-2,023,189	-19,913	-16,250	-104,806	-93,839	-68,770	-67,151	-1,188,285	-1,052,864	**-3,298,217**	**-3,253,293**
Operating profit or loss	**17,545,675**	**4,636,577**	**36,144**	**62,625**	**1,094,470**	**424,264**	**502,640**	**-80,139**	**-59,423**	**-381,237**	**19,119,505**	**4,662,090**
Interest income											**133**	**239**
Other finance income											**308,391**	**112,189**
Interest expenses											**35,618**	**94**
Other finance expenses											**165,874**	**81,696**
Financial result											**107,032**	**30,638**
Deferred taxes											**0**	**0**
Corporate income tax											**3,653,042**	**891,618**
Net profit											**15,573,495**	**3,801,110**

2 Revenue from contracts with customers

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

In EUR

	JAN..MAR 2023	JAN..MAR 2022
Net revenues from contracts with the customers for products and services	49,908,189	66,137,278
Net revenues from contracts with the customers for goods and materials	126,143	210,312
TOTAL	**50,034,332**	**66,347,590**

3 Other operating revenue

In EUR

Revenue	JAN..MAR 2023	JAN..MAR 2022
Profit from disposal and write-downs of assets	369	60
Revenues from government grants + Covid-19	0	15,551
Recovered written-off receivables	1,500	0
Compensations received	0	6,604
Reversal of non-current provisions	0	0
Other revenues	1,585	12,627
TOTAL	**3,454**	**34,842**

***Revenues relate to received refund claims resulting from isolation (Covid).**

4 Costs by functional group

In EUR

	JAN..MAR 2023	JAN..MAR 2022
Cost of goods and materials sold	55,782	36,677
Costs of materials	33,460,694	30,972,248
Costs of services	3,972,864	4,077,864
Labour costs	8,439,199	7,946,884
Amortisation and depreciation expense	3,253,293	3,298,217
Other operating expenses	499,340	339,631
Impairments and write-down of operating receivables	21	52
TOTAL	**49,681,193**	**46,671,573**

5 Labour costs

In EUR

Labour costs	JAN..MAR 2023	JAN..MAR 2022
Salaries, wages and compensations for salaries and wages	5,238,465	4,958,206
Social security contributions	841,516	809,990
Reimbursements of expenses to employees and other employee income	2,254,054	2,070,950
Supplementary pension insurance	105,164	107,738
TOTAL	**8,439,199**	**7,946,884**

The Company had 757 employees as at 31 March 2023. The average number of employees was 762.

6 Amortisation and depreciation expense

The Company uses the straight-line depreciation method to depreciate fixed assets over the expected useful life of an individual fixed asset. Depreciation is debited to the value of an individual fixed asset (item of property, plant and equipment).

In EUR

Description	JAN..MAR 2023	JAN..MAR 2022
Amortisation and depreciation expense		
- intangible assets	51,896	35,432
- easement	18,086	18,086
- buildings	835,906	831,289
- production equipment	2,346,329	2,412,155
- other equipment	1,076	1,256
TOTAL	**3,253,293**	**3,298,217**

7 Operating expenses

Operating expenses

v €

Expenses	JAN..MAR 2023	JAN..MAR 2022
Costs of materials	33,460,694	30,972,248
Costs of services	3,972,864	4,077,864
Cost of goods and materials sold	55,782	36,677
Other operating expenses	499,361	339,683
TOTAL	**37,988,701**	**35,426,472**

Other operating expenses

In EUR

Other operating expenses	JAN..MAR 2023	JAN..MAR 2022
Eco taxes and reimbursements	117,068	126,259
Bonuses to pupils and students undergoing in-company placement	22,914	28,986
Charge for the use of building land	140,530	91,934
Revaluation of inventories of materials and goods	69,825	245
Loss from disposal of property, plant and equipment	9,818	32,684
Other costs and expenses	139,185	59,523
TOTAL	**499,340**	**339,631**

8 Finance income and expenses

In EUR

Income	JAN..MAR 2023	JAN..MAR 2022
Net exchange rate differences	14,184	109,048
Interest income	16,548	449
Total finance income	30,731	109,497
Interest expenses	-93	-2,464
Total finance expenses	-93	-2,464
Net increase/decrease in cash and cash equivalents	**30,639**	**107,033**

9 Corporate income tax

The accounted tax at the effective tax rate of 19% stands at EUR 891,618.

10 Intangible assets

In EUR

Group of intangible assets for 2023	Cost		Adjustment		Carrying amount	
	31 March 2023	31 December 2022	31 March 2023	31 December 2022	31 March 2023	31 December 2022
Property rights	5,865,354	5,845,554	4,959,383	4,907,487	905,970	938,067
Assets being acquired	337,709	270,158	0	0	337,709	270,158
TOTAL	**6,203,062**	**6,115,711**	**4,959,383**	**4,907,487**	**1,243,679**	**1,208,224**

The useful lives of intangible assets are final. The Company verified their values and found that their current value does not exceed their recoverable amount.

11 Property, plant and equipment

In EUR

Group of property, plant and equipment for 2023	Cost		Adjustment		Carrying amount	
	31 March 2023	31 December 2022	31 March 2023	31 December 2022	31 March 2023	31 December 2022
Land	10,803,263	10,803,263	1,216,840	1,198,754	9,586,423	9,604,509
Buildings	128,700,503	128,674,115	87,893,534	87,057,629	40,806,968	41,616,487
Equipment	222,892,777	225,138,242	183,223,348	183,644,286	39,669,429	41,493,957
Assets being acquired	11,699,492	10,276,338	0	0	11,699,492	10,276,338
Advances	1,437,812	1,091,727	0	0	1,437,812	1,091,727
TOTAL	**375,533,847**	**375,983,686**	**272,333,722**	**271,900,668**	**103,200,125**	**104,083,017**

The Company verified their values and found that their current value does not exceed their recoverable amount. The Company holds no assets under finance lease. As at 31 March 2023, the Company also had no assets pledged as collateral.

12 Financial assets

In EUR

Group of non-current financial assets for 2023	Cost		Adjustment		Fair value	
	31 March 2023	31 December 2022	31 March 2023	31 December 2022	31 March 2023	31 December 2022
Other investments	2,077,692	2,077,692	103,927	103,927	1,973,765	1,973,765
TOTAL	**2,077,692**	**2,077,692**	**103,927**	**103,927**	**1,973,765**	**1,973,765**

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

Members of the Management and Supervisory Boards did not receive any long-term loans. Cinkarna Celje, d. d. has no subsidiary or associated company and does not do business with related parties.

13 Other non-current assets

In EUR

Group of other non-current assets for 2023	Cost		Adjustment		Carrying amount	
	31 March 2023	31 December 2022	31 March 2023	31 December 2022	31 March 2023	31 December 2022
Emission allowances	68,049	68,049	0	0	68,049	68,049
TOTAL	**68,049**	**68,049**	**0**	**0**	**68,049**	**68,049**

14 Current financial receivables

In EUR

Group of current financial assets 2023	Investment value		Adjustment of investments		Net investments	
	31 March 2023	31 December 2022	31 March 2023	31 December 2022	31 March 2023	31 December 2022
Current financial assets - treasury bills	10,634,052	0	0	0	10,634,052	0
TOTAL	**10,634,052**	**0**	**0**	**0**	**10,634,052**	**0**

Current financial receivables are investments in treasury bills with maturity of 3 to 6 months.

15 Inventories

In EUR

Group of inventories	31 March 2023	31 December 2022	Realisable value
Materials	39,046,999	45,206,025	39,046,999
Work-in-progress	3,763,937	3,266,936	3,763,937
Products	27,385,158	24,187,102	37,215,539
Merchandise	48,985	29,786	48,985
Advances given	132,186	64,974	132,186
TOTAL	**70,377,265**	**72,754,823**	**80,207,646**

Inventories have not been pledged as collateral. Advances given comprise funds provided for the acquisition of raw materials and materials. The net realisable value of inventories as at 31 March 2021 exceeds their carrying amount.

16 Operating receivables

Current trade receivables

In EUR

Group of receivables for 2023	Value of receivables		Adjustment		Net receivables	
	31 March 2023	31 December 2022	31 March 2023	31 December 2022	31 March 2023	31 December 2022
Buyers in the country	5,279,532	2,947,578	266,985	266,985	5,012,547	2,680,593
Foreign buyers	26,608,376	19,407,517	370,294	371,794	26,238,082	19,035,723
Exporting agents	324,521	368,044	0	0	324,521	368,044
Receivables on behalf of others	2,681	2,681	0	0	2,681	2,681
TOTAL	**32,215,109**	**22,725,820**	**637,279**	**638,780**	**31,577,830**	**22,087,040**

Trade receivables are insured with an external institution as of 1 June 2021.

Movement of value adjustments of current trade receivables

In EUR

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

Trade receivables by maturity and by segment

In EUR

Regional segment	Total receivables		Not yet due		Past due							
					0 to 15 days		from 16 to 60 days		from 61 to 180 days		over 180 days	
	31 March 2023	31 December 2022	31 March 2023	31 December 2022	31 March 2023	31 December 2022	31 March 2023	31 December 2022	31 March 2023	31 December 2022	31 March 2023	31 December 2022
Buyers in the country	5,012,547	2,680,593	4,894,801	2,470,663	98,966	196,324	12,827	5,674	5,953	7,933	0	0
Foreign buyers - EU and third countries	25,215,363	18,462,783	22,070,772	16,402,841	2,579,897	1,697,271	482,652	335,864	82,042	26,806	0	0
Buyers on the markets of the former Yugoslavia	1,022,719	572,940	856,583	483,156	90,466	65,469	75,670	2,775	0	21,540	0	0
Exporting agents	324,521	368,044	324,521	368,044	0		0	0	0	0	0	0
Receivables on behalf of others	2,681	2,681	2,681	2,681	0	0	0	0	0	0	0	0
TOTAL trade receivables	**31,577,830**	**22,087,040**	**28,149,357**	**19,727,385**	**2,769,329**	**1,959,064**	**571,149**	**344,312**	**87,996**	**56,279**	**0**	**0**

Group of trade receivables by due date

In EUR

Group of receivables by Maturity	Gross value as at 31 March 2023	Adjustment as at 31 March 2023	Gross value as at 31 December 2022	Adjustment as at 31 December 2022
Non-past-due	28,165,120	15,763	19,743,148	15,763
Past due up to 15 days	2,770,898	1,569	1,960,633	1,569
Past due from 16 to 60 days	572,782	1,633	345,946	1,633
Past due from 16 to 180 days	88,051	56	56,335	56
Past due by more than 180 days	618,259	618,259	619,758	619,759
TOTAL	**32,215,109**	**637,279**	**22,725,819**	**638,779**

Other current receivables

In EUR

Group of receivables	31 March 2023	31 December 2022
Receivables for VAT	1,362,824	1,984,953
Receivables from state institutions	166,438	167,293
Receivables due from employees	22,822	23,060
Other receivables	16,093	28,197
TOTAL	**1,568,177**	**2,203,503**

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

17 Cash and cash equivalents

In EUR

Group of assets	31 March 2023	31 December 2022
Cash in hand	30	30
Bank balances	18,533,342	24,210,068
Short-term call deposits	21,000,000	21,000,000
TOTAL	**39,533,372**	**45,210,098**

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

18 Other current assets

Other current liabilities of the Company include short-term deferred costs or expenses and VAT on received advances.

In EUR

Description	31 March 2023	31 December 2022
Prepaid expenses	190,742	100,859
VAT on advances received	74,462	32,150
TOTAL	**265,204**	**133,009**

19 Equity

In EUR

Equity items	31 March 2023	31 December 2022
Called-up capital	20,229,770	20,229,770
Capital surplus	44,284,976	44,284,976
Legal reserves	16,931,435	16,931,435
Reserves for treasury shares	4,814,764	4,814,764
Treasury shares	-4,814,764	-4,814,764
Other revenue reserves	103,358,966	103,358,966
Fair value reserve	-809,390	-809,390
Retained earnings	28,815,502	25,014,392
TOTAL EQUITY	**212,811,258**	**209,010,148**

The Company’s share capital comprises 8,079,770 freely transferable no-par value shares of the same class. All no-par value shares have the same nominal value and have been paid up in full. As at the balance sheet date of 31 March 2023, share capital stands at EUR 20,229,770. The Company has 264,650 treasury shares in its portfolio as at 31 March 2023. The Company did not buy back treasury shares in 2023.

20 Non-current liabilities

In EUR

Group of non-current liabilities	31 March 2023	31 December 2022
Provisions for employee benefits	3,564,531	3,651,696
Environmental provisions	14,704,913	14,816,968
Government grants received – emission allowances	44,047	44,047
Deferred revenues	326,108	319,007
TOTAL	**18,639,598**	**18,831,718**

<u>Post-employment employee benefits</u>

In EUR

Post-employment employee benefits	31 March 2023	31 December 2022
Provisions for severance pay	3,130,218	3,204,640
Provisions for jubilee benefits	434,313	447,056
TOTAL	**3,564,531**	**3,651,696**

In EUR

Post-employment employee benefits	31 December 2022	Dedicated use	31 March 2023
Provisions for severance pay	3,204,640	74,422	3,130,218
Provisions for jubilee benefits	447,056	12,743	434,313
TOTAL	**3,651,696**	**87,165**	**3,564,531**

<u>Provisions</u>

In EUR

Environmental provisions	Balance as at 31 December 2022	Annual plan of dedicated use 2023	Use 2023	Balance as at 31 March 2023
Provisions for the Za Travnik landfill	888,133	250,000	10,056	878,077
Provisions for the Bukovžlak landfill (ONOB)	8,541,868	1,500,000	68,000	8,473,868
Provisions for the Bukovžlak high-filled barrier	2,712,809	250,000	34,000	2,678,809
Provisions for ecology – eco investment in the area of TIO^2 production	2,674,157	0	0	2,674,157
TOTAL	**14,816,968**	**2,000,000**	**112,056**	**14,704,913**

Eco provisions were used in 2023 to cover the costs of the contractors performing work at height that came in at EUR 112,056. No new provisions were set aside in 2023.

<u>Deferred revenues</u>

In EUR

Deferred revenues	31 March 2023	31 December 2022
Exempt contributions for employment of disabled persons	9,048	1,947
Non-current deferred revenue for equipment	1,345	1,345
Funds received from the EU fund	133,335	133,335
Equipment and vehicles obtained free of charge	9,013	9,013
Emission allowances	44,047	44,047
Subsidies for photovoltaics	173,366	173,367
TOTAL	**370,155**	**363,054**

21 Current financial liabilities

In EUR

Group of liabilities	31 March 2023	31 December 2022
Current financial liabilities – assignments	1,854	59,392
Current liabilities from derivatives – futures and forwards	26,559	0
TOTAL	**28,413**	**59,392**

22 Current operating liabilities

In EUR

Group of liabilities	31 March 2023	31 December 2022
Current trade payables to domestic suppliers	11,018,611	11,372,481
Current trade payables to foreign suppliers	8,030,647	3,526,380
Current liabilities for goods and services not invoiced	2,499,931	0
Current operating liabilities from advances	61,391	170,164
Current liabilities to employees	1,334,766	2,602,550
Current liabilities for the contributions of the payer	682,546	1,326,675
Current liabilities to government and other institutions	447,878	509,838
Other current liabilities	7,891	10,057
TOTAL	**24,083,661**	**19,518,145**

23 Corporate income tax liabilities

In EUR

Corporate income tax	31 March 2023	31 December 2022
Current liability for corporate income tax	1,507,205	2,367,161
TOTAL	**1,507,205**	**2,367,161**

24 Liabilities from contracts with customers

In EUR

Liabilities based on contracts with customers	31 March 2023	31 December 2022
Liabilities based on contracts with customers	141,086	157,520
TOTAL	**141,086**	**157,520**

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

25 Other current liabilities

Other current liabilities comprise accrued costs or expenses.

In EUR

Description	31 March 2023	31 December 2022
Accrued unused right to annual leave	797,395	797,395
Accrued costs	2,042,518	150,090
VAT from advances granted	94,985	54,766
Government grants received (Act Determining the Aid to the Economy to Mitigate the Consequences of the Energy Crisis - ZPGOPEK)*	1,521,872	0
Other	0	1,668
TOTAL	**4,456,771**	**1,003,919**

*The Company is the recipient of aid in accordance with the Act Determining the Aid to the Economy to Mitigate the Consequences of the Energy Crisis, the aid is recorded under accrued income and will be transferred to income when all the facts for its recognition are known.

26 Contingent assets and liabilities

In EUR

Description	31 March 2023	31 December 2022
Guarantees granted	2,275,179	2,275,179
Futures and forwards	4,795,010	50,953
VISA and Mastercard	40,000	40,000
Material in the process of completion or processing	59,725	59,725
TOTAL	**7,169,914**	**2,425,857**

27 Fair value

In EUR

	31 March 2023		31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets measured at fair value through other comprehensive income	1,973,765	1,973,765	1,973,765	1,973,765
Current financial receivables	10,634,052	10,634,052	0	0
Trade receivables	31,577,830	31,577,830	22,087,040	22,087,040
Cash and cash equivalents	39,533,372	39,533,372	45,210,098	45,210,098
Financial liabilities	-28,413	-28,413	-59,392	-59,392
Trade payables	-21,549,189	-21,549,189	-14,898,860	-14,898,860
Liabilities from contracts with customers	-141,086	-141,086	-157,520	-157,520
Total	**62,000,331**	**62,000,331**	**54,155,131**	**54,155,131**

Financial assets are classified in three levels subject to the fair value calculation:

- level 1 - assets at market price;
- level 2 - assets not classified under level 1 and the value of which is determined directly or indirectly based on comparable market data; level 3 - assets for which market data cannot be obtained.

Fair value of assets	31 March 2023				31 December 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income	0	1,973,765	0	1,973,765	0	1,973,765	0	1,973,765
Total assets measured at fair value	**0**	**1,973,765**	**0**	**1,973,765**	**0**	**1,973,765**	**0**	**1,973,765**
Assets with disclosed fair value								
Current financial receivables	0	0	10,634,052	10,634,052	0	0	0	0
Trade receivables	0	0	31,577,830	31,577,830	0	0	22,087,040	22,087,040
Cash and cash equivalents	0	0	39,533,372	39,533,372	0	0	45,210,098	45,210,098
Total assets with disclosed fair value	**0**	**0**	**81,745,254**	**81,745,254**	**0**	**0**	**67,297,138**	**67,297,138**
Total	**0**	**1,973,765**	**81,745,254**	**83,719,019**	**0**	**1,973,765**	**67,297,138**	**69,270,903**

In EUR

Fair value of liabilities	31 March 2023				31 December 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial liabilities	0	0	28,413	28,413	0	0	59,392	59,392
Trade payables	0	0	21,549,189	21,549,189	0	0	14,898,860	14,898,860
Liabilities from contracts with customers	0	0	141,086	141,086	0	0	157,520	157,520
Total liabilities with disclosed fair value	**0**	**0**	**21,718,688**	**21,718,688**	**0**	**0**	**15,115,772**	**15,115,772**

III CASH FLOW STATEMENT

The cash flow statement shows the change is the balance of cash and cash equivalents for the financial year as the difference between the balance as at 31 March 2023 and 31 December 2022. It is compiled according to the indirect method using data from the statement of financial position as at 31 March of the reporting year and the statement of financial position as at 31 December 2022 as well as additional data required for the adjustment of revenues and expenditures and the appropriate breakdown of major items. Theoretically possible items are not shown and values are disclosed for the current and previous year.

IV STATEMENT OF CHANGES IN EQUITY

The statement of changes in equity is a table featuring changes in all equity items. Theoretically possible items are not shown. Changes in equity relate to the decision of the General Meeting on the allocation of distributable profit for the previous year for dividend distribution to the owners that were or will be paid out and the buyback of treasury shares. Pursuant to point 14 of Article 64 of the Companies Act (ZGD-1), the determination of distributable profit is appended to the statement of changes in equity.

V FINANCIAL INSTRUMENTS – FINANCIAL RISKS

Financial risks (liquidity and interest rate)

Liquidity risk

Cinkarna Celje, d. d. is a business partner that is known for its payment discipline both on the domestic and foreign markets. It has no debts owed to banks and boasts stable cash flows. The Company's business is traditionally conservative with high cash flow levels. Liquidity risk management includes the planning of expected cash liabilities and their coverage, ongoing monitoring of the customers' solvency and regular recovery of past due receivables. The Company is rated AAA.

Interest rate risk represents the possibility of loss as a result of an unfavourable change in the interest rates on the market. The Company has no non-current financial liabilities and therefore implements no measures in this respect. If this fact were to change, we would put in place suitable measures to mitigate these risks.

Interest rate risk

Interest rate risk represents the possibility of loss as a result of an unfavourable change in the interest rates on the market. The Company has no non-current financial liabilities and therefore implements no measures in this respect. If this fact were to change, we would put in place suitable measures to mitigate these risks.

Owing to good operating performance and a favourable financial position, the Company concludes deposit contracts with banks at minimum positive interest rates with the aim of reducing the cost of deposits. As of the balance sheet date of 31 March 2023, deposits with a maturity of up to one year amount to EUR 21 million.

Credit risk

The main risk for the Company is the risk that buyers will not be able to settle their liabilities upon maturity. The risk is limited as we mostly do business with long-standing partners who are frequently well-known traditional European industrial companies with a high credit rating. In recent years, we have seen payment discipline in Slovenia, the Balkans and Eastern Europe to be relatively poor, but we do not expect problems in this region in the future, rather we expect the situation in this area to improve. By cleaning out the portfolio of strategic businesses of the Company, i.e. the discontinuation of the programme of graphic materials, the rolled titanium zinc sheets programme, the anticorrosion coatings programme and the construction materials programme, the exposure to credit risk decreased materially, which is demonstrated by the receivables maturity data as well as the fact that we practically no longer have any additional revaluation adjustments of receivables due to the doubts as to their payment or the default on the disclosed trade receivables.

The Company has for a number of years been implementing internal credit control for each individual customer that is assigned an individual credit limit based on payment discipline, credit rating and good standing with the Company. The credit risk monitoring and management process was further enhanced in mid-2021 through receivables insurance with an external institution where credit limits are set, monitored and changed on a daily basis. A TOP UP scheme has been established for certain customers who have not reached the credit limit at the insurance company.

In addition to the regular monitoring of the credit limit for each customer, the payment discipline of the customer and the publication on the AJPES (Agency of the Republic of Slovenia for Public Legal Records and Related Services) website regarding proceedings under the Financial Operations, Insolvency Proceedings, and Compulsory Dissolution Act are monitored on a daily basis. Also, as the receivable becomes due, the customer is reminded of the due date of the receivable by way of a reminder, firstly by telephone and then in writing, whereby default interest is charged from the due date until payment. The process of regular monitoring and control of the portfolio of trade receivables is a permanent feature at the Company, which results in a small percentage of write-offs or impairment of receivables in relation to the share in sales.

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

In EUR

	Notes	31 March 2023	31 December 2022
Financial assets	12. 14	12,607,817	1,973,765
Trade receivables	16	31,577,830	22,087,040
Cash and cash equivalents	17	39,533,372	45,210,098
TOTAL		**83,719,019**	**69,270,903**

The Company boasts a healthy structure of trade receivables which is evident from Note 16 Operating Receivables in the table showing receivables by maturity and the table showing the changes in the revaluation adjustment of current trade receivables.

Currency risk

Cinkarna Celje, d. d. performs its purchasing and sales in the global market, which is why it is also exposed to the risk of unfavourable inter-currency ratios. The main ratio is the €/$. Because the majority of sales are transacted in euros, exposure is worrying especially in dollar-denominated purchasing of titanium-bearing ores as well as exceptionally also of sulphur and copper compounds. Exposure to dollar-denominated sales is much lower in terms of volume.

Changes and forecasts of the dynamic of the EUR/USD pair are monitored at all times. We basically mitigate the short-term risk of unfavourable USD exchange rates by consistently using financial instruments in a standardised manner (USD futures and forwards). We achieve almost complete coverage of the relevant business events which include the EUR/USD pair.

Exposure to the risk of change in exchange rates

In EUR

	31 March 2023		31 December 2022	
	EUR*	USD	EUR*	USD
Current financial receivables	10,634,052	0	0	0
Trade receivables	31,325,709	252,121	21,673,232	413,838
Advances given	1,571,988	0	1,168,851	0
Cash and cash equivalents	39,533,372	0	45,210,098	0
Current financial liabilities	-28,413	0	-59,392	0
Current operating liabilities	-19,180,925	-4,902,736	-19,450,525	-67,620
Exposure of the statement of financial position (net)	**63,855,792**	**-4,650,614**	**-48,542,264**	**346,218**

*EUR is the functional currency and does not represent exposure to the risk of change in exchange rates. In addition to the functional currency (EUR), the Company also uses the USD (US dollar), which was used in the recalculation of balance sheet items on 31 March and is equal to the reference exchange rate of the European Central Bank, i.e. the amount for one national currency unit (1 euro) on 31 March 2023 is 1.0965 and on 31 December 2022 it was 1.0666.

Sensitivity analysis

A change in the value of the USD by 1% against the EUR as at 31 March 2023 or 31 December 2022 would change the pre-tax profit by the amount indicated below. The analysis which was performed for both years in the same manner assumes that all variables, mainly interest rates, remain the same. When calculating the impact of a change in the US dollar exchange rate, the balance of receivables and liabilities denominated in dollars is taken into account.

In EUR

	31 March 2023		31 December 2022	
Change in the USD	1%	-1%	1%	-1%

Effect on pre-tax net operating profit or loss	**50,994**	**-50,994**	**3,693**	**-3,693**

Any further change in the exchange rate of the US dollar by 1% in relation to the EUR would mean an additional change in the pre-tax profit by the values indicated above.

Capital management

The primary objective of the management of capital of the Company is the assurance of a high credit rating and suitable financing ratios, which in turn ensures appropriate development of operations and maximises value for the shareholders.
The aim of the management and adjustment of the capital structure at Cinkarna Celje is to keep in step with the changes in the economic environment. Dividends are paid out once a year in accordance with the adopted dividend policy and resolutions of the General Meeting. Cinkarna Celje has no specific targets regarding employee ownership and no stock option program. In 2023, there were no changes in the method of capital management. Cinkarna Celje uses the financial leverage indicator to control capital, whereby the indicator shows the share of net debt to equity and total net debt. Net debt includes financial and operating liabilities less cash and cash equivalents.

In EUR

	31 March 2023	31 December 2022
Financial liabilities	28,413	59,392
Operating and other current liabilities	30,188,723	23,046,745
Cash and cash equivalents	39,533,372	45,210,098
Net debt	**-9,316,236**	**-22,103,961**
Equity	212,811,258	209,010,148
Equity and net debt	**203,495,022**	**186,906,187**
Financial leverage ratio	**-5%**	**-12%**

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

No events that could affect the financial statements of the Company occurred after the balance sheet date of 31 March 2023.